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TRADE IN THE BALANCE

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By

W. A. S. HEWINS, M.A.

(Under Secretary of State for the Colonies, 1917-1919; Director of the London School of Economics and Political Science, 1895-1903; Lecturer in Modern Economic History in the University of London, 1902-1903; Secretary of the Tariff Commission, 1903-1917; Professor of Economic Science and Statistics at King's College, London, 1897-1903; Hon. Fellow of the Royal Historical Society.)

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To My Friend

SIR CHARLES EDWARD COTTIER

who on a great occasion critical to
the British Empire had the courage
of his faith and took without
hesitation the action necessary.

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PREFACE.

I INTENDED to write this book before the last election on the assumption that it would not take place before January. I hope it will be ready for the next election though the time is evidently short. It is not intended to be a complete history of the Empire or Tariff Reform movement—that great task, for which abundant material exists, I hope to undertake some day if I have the leisure—but I have given the leading facts of the movement and the leading considerations in the policy for which I stand, in such a form as will, I trust, assist to a more complete understanding of the problem, and give speakers suggestions for addresses to their constituents. Some such book is necessary. There was great confusion in the minds of the electors during the last election as to what was really involved in the policy and what the leaders meant. The result was that the way was opened for much misrepresentation; the election was lost, and yet the electors have never had the issue placed before them in a manner which they could comprehend. We are apt to forget that owing to the long interruption of the War, a generation has grown up which is quite ignorant of the foundations of the policy upon which the country has to decide. Yet this Empire policy is vital to the maintenance of British trade and the very existence of the Empire. It is based upon conditions and events which have their roots deep in the past. It is not a temporary expedient devised in the interests of any party; it is in fact contrary to the wish of those who have been responsible for its development that it should ever be a party question at all. But in a

great country like England everything sooner or later must come to the test of the polls. We must accept that situation, and as recent events have made the issue between the different parties perfectly clear, those who believe in the future of the British Empire must fight as they have never fought before for the faith which they hold.

I am greatly indebted to Mr. James Weir, the Secretary, to Mr. J. B. Ward, the Statistician, and to the staff of the Empire Development Union for the assistance they have rendered throughout the preparation of this work, without which it could not have been done in the time at my disposal.

W. A. S. HEWINS.

98, ST. GEORGE'S SQUARE, LONDON, S.W.1.
May 24, 1924.

TRADE IN THE BALANCE

CHAPTER I

EMPIRE POLICY TO 1906

IN this book I propose to state the position which has been reached in the tariff controversy; to consider in the light of the experience of the last twenty years whether it is necessary to use a tariff as an instrument of organisation for reviving British industry; if so, what form the tariff should take, and what steps are necessary to give effect to it.

It will be best to begin with a brief sketch of the course of the movement as I myself have seen it from the inside. My connection with the tariff controversy began in 1895 when I came to London to organise the London School of Economics. My colleagues were Mr. Sidney Webb and others who are now in or associated with the Labour Government. We worked in complete harmony for eight years in the establishment of the School of Economics because we agreed that the older economics was in a state of confusion, that the subject required to be taught on practical lines to bring it into the closest association with business administration, and that every branch of our policy should be thoroughly explored.

I was prepared at that time to accept the current view that the Free Trade policy which Great Britain had adopted had been advantageous to her trading interests, although many important branches of our activity had failed. But the organisation of the British Empire involved important departures of policy from the generally received maxims. I was brought face to face with the problems of economic diplomacy in the lectures which I gave at the

School of Economics on the economic position of the Great Powers, and in the discussions which I had with representatives of the many foreign countries who attended those lectures. It was this side of the problem which at first interested me, and I remember very well discussing with German friends of mine the possibility or the probability that Great Britain would change her policy and revert to her historic traditions. We came to the conclusion in those informal conversations that that change was certain if Great Britain was to solve the problems of her relations with foreign Powers on trade questions.

Before the end of the South African war—I think in the month of June 1899—I gave three lectures at the Society of Arts for the London School of Economics on the probable effect of our Imperial obligations on the economic policy of the United Kingdom. It seemed to me certain that whatever the difficulties in our path might be it would be found necessary to modify our Free Trade policy if we were to deal with our commercial relations with the British Dominions. Just before I gave these lectures a most important step had been taken which had attracted little interest in Great Britain but had caused much comment on the Continent—I mean the denunciation of the commercial treaties we had with Germany and Belgium, which prevented the Dominions from pursuing their own policy in the way they desired and from giving the Mother Country preferential rates. Shortly afterwards I was asked by Professor Schmoller of Berlin to contribute a section to the collection of economic studies he had undertaken at the request of the German Chancellor in view of the revision of the German commercial treaties, for publication in the *Beiträge zur neuesten Handelspolitik Deutschlands* (*Schriften des Vereins für Socialpolitik, XCI*), on the probable effect of Imperialism on the commercial policy of the United Kingdom. In that contribution I frankly analysed the position, as far as I could in the light of the economic

and political evidence which was then available, and the conclusion I reached was this :—

> "There is a disposition to regard measures for the promotion of commercial union as a necessary step in the development of British Imperial policy; to admit that Free Trade was a national, insular policy; and that the substitution of the Empire for the nation as the basis of public policy requires changes not contemplated by the Cobdenite school or inconsistent with its tenets. There is not the slightest risk of a reversion to protection in England as part of a system of national economy. Such a change of policy, however important in principle, is not at all likely to be great in magnitude, first, because, although a policy of Imperialism ultimately involves 'Free Trade within the Empire,' such a consummation can be reached only by gradual stages, by the gradual building-up of a great constructive scheme in the realisation of which the situation and its possibilities would be constantly changing; and, secondly, because there are many ways in which a wealthy country like England can promote the commercial union of the Empire which do not involve any important change of policy."

I consulted Mr. Chamberlain as to the implications of the policy which he was pursuing at the Colonial Office, and letters were exchanged upon that subject. Mr. Chamberlain was good enough to answer all my questions frankly and fully.

Now as to these early stages of this movement, so far as my connection with them is concerned, there are the following points to be carefully kept in view. In the first place the movement was in no sense a revival of the old protectionism. It was a frank attempt to deal with the problems of Empire and the problems of economic diplomacy from a new point of view, determined by conditions which had grown up in recent times. In the second place there was no differentiation of this movement from the Labour movement; in fact, in those times there was no Labour Party, as we understand it to-day. Many of us hoped that the

Empire movement never would be separated from the attempt to deal directly with labour questions; that Empire policy and social policy would always be closely associated, for the one was necessary to the other; and that we should try to evolve a national, Imperial, constructive policy embracing defence, the determination of the conditions upon which the Dominions were to have a voice in Imperial affairs, and the provision of machinery enabling them to exercise that voice, measures for promoting the trade development of the United Kingdom and the Empire, the reorganisation of public finance, the reorganisation of transport, educational reform, and a social and labour policy. That was the object we had in view. It had points of contact with the historic national policy of England, but it went far beyond any ideas of that system and looked first and foremost to the organisation of the British Empire as the necessary condition for achieving the permanent security and progress of the whole community.

Another point to notice from my experience is that in official circles this movement progressed much more rapidly in those early years than it has done since. In a sense, it is true to say that Mr. Chamberlain did not start the Tariff Reform movement. It was started by the British Treasury who had to make recommendations to the Government as to the measures which should be adopted for financing the South African War, and the corn duty was put on in 1902, not because Mr. Chamberlain or anyone else harboured deep and dark designs for altering the economic system of the country but because it was the easiest thing to do and most certain to bring in an adequate revenue. When the Cabinet went back on their decision it was certain in the circumstances that then prevailed with regard to our Imperial policy, and the long series of events which lay behind and lent force and significance to Mr. Chamberlain's advocacy of preference on the

corn duty—circumstances of which Mr. Chamberlain's colleagues seemed to be wholly ignorant—it was certain that the country would be plunged into a serious controversy. The removal of the corn duty was just one of those academic decisions which bring about unlooked for changes, taken without due thought and in ignorance of the concrete circumstances which had determined the action of Mr. Chamberlain. Mr. Chamberlain naturally had to explain his position to his constituents and his explanation opened the floodgates of controversy. I saw him shortly after he had made his Birmingham speech, in his room at the House of Commons. In the course of the conversation, he said: "You don't suppose I should have undertaken such a business unless I was obliged to do so, but, the fact is, if I had not, I must have sacrificed the fruits of my ten years at the Colonial Office." He talked about Canada and expressed the opinion that commercial union with the United States would be followed by political absorption. He said he had been brought to his policy by pressure which, as a statesman, he could not ignore. Then he went on: "But I do not pretend to be an economic expert; I once read Mill and tried to read Marshall; you must supply the economic argument." From this time I have been continually associated with this economic controversy and have devoted almost my whole time to it.

I might say with Mr. Chamberlain, I should not have undertaken such a task unless I was obliged to do so. It was not possible, in my opinion, to solve the social questions in which I had first of all been interested unless we adopted a sound policy for the British Empire and for the fostering of British trade. My conception of society was that on which the whole fabric of Western civilisation rests, that of an organised body, the members and the classes of it in due relation one to another, progressing towards the fullest realisation of the individual, based in the last resort upon religious conceptions, maintaining private

property, the rights of the individual, the obligations of class to class, and the solidarity of the whole as fundamental principles not to be violated. The society of which we in England were all members was the British Empire, and the fundamental question every Britisher had first of all, in his public capacity, to answer was, What was he going to do with the British Empire? The British Empire itself consisted of a family of States, each working out its own future with the fullest rights of autonomy, but bound together in the higher unity of the Empire. Whatever defects the British Empire might have it was, in fact, the fruit of a long process of evolution extending over many generations. It had become in its constitutional relations, in the methods by which various great public problems were handled, a model and example for all other States, and I regarded any attempt to avoid our responsibilities, and still more any neglect which might lead to the disintegration of so great a society, as an unforgivable crime. Experience was showing that this vast organisation could not be kept together, and still more progress to its full fruition, without some change in economic policy, and whether we liked the controversy or not, the whole future did in fact turn on this vital question. Are you or are you not prepared to abandon the policy of Free Trade? No substitutes were possible. Mr. Chamberlain himself had tried every one of the expedients now recommended by those who do not see eye to eye with us on questions of Empire policy, and as a matter of experience in the actual administration of the British Empire, in 1903 we had reached the stage when progress was stopped unless we fell into line with the great Dominions which had maintained without interruption the traditional policy, upon which the British Empire rested.

In 1903, in October, some eminent opponents of Mr. Chamberlain informed me that they thought Mr. Chamberlain would win the country, but they were not in the least

concerned; that, to their knowledge, the public departments were so ill-equipped for the preparation of a tariff that while Mr. Chamberlain was investigating the position and obtaining information to carry out his schemes, the enthusiasm would die down and he would fail. We had a private meeting to discuss this situation, and as a result, Mr. Chamberlain, after the Bingley Hall meeting, decided to have a Tariff Commission of his own. I received an invitation from him by telegram to organise this new venture. I told Mr. Chamberlain that before he finally decided he had better allow me to draw up a scheme, as this inquiry would cost a great deal of money and involve enormous labour in the then condition of our knowledge of the industrial condition of the country. I accordingly drew up a scheme which was discussed privately, and Mr. Chamberlain approved of it. I then informed Mr. and Mrs. Sidney Webb that I should have to resign my position as Director of the London School of Economics. As the object of the Tariff Commission was purely scientific and not propagandist, and was in direct line with the objects for which the London School of Economics had been founded, there was no reason at all why I should resign my position at that institution except that it was impossible to carry on my work there and at the same time conduct Mr. Chamberlain's inquiry. We at once set to work to get the Commission together. This was an extremely difficult task owing to the large number of people who wanted to be members of it. We were merely concerned with getting together the most efficient body of people that was possible who had practical acquaintance with business and with the administration of the Empire. We did not inquire into their fiscal views. Some of the members of the Commission were Free Traders and also some of the expert members of the staff whom I engaged. The Tariff Commission, in fact, whatever was said about it in the newspapers, was one of the most impartial bodies ever created

in this country, and was untrammelled in regard to any conclusions it might reach. The task before it was very great. British industry was uncharted. In the economic world there was a purely academic view of the manner in which British industry was organised. At that time the vast majority of firms engaged were on a small or very moderate scale. The great combination such as we have become familiar with in the last twenty years was not at all common. The syndication of businesses was only beginning. We decided that in the circumstances the only method of procedure was to communicate with every firm in the country and this the Tariff Commission did. In some trades the percentage of replies to the forms we issued was exceedingly high. In iron and steel, for instance, I think something like 90 per cent. of the firms engaged filled up replies to the forms of inquiry and there can be no doubt that the information we obtained in this manner, together with the oral interrogation of witnesses, and the daily consultation with people who came to see us at our offices, was more complete than anything hitherto put together in this country. As the information was kept up to date until the outbreak of the war, I think I am right in saying that the evidence obtained by the Tariff Commission is the only complete photograph of what British industry was before the Great War which there is in existence.

At the meetings of the Tariff Commission, which Mr. Chamberlain attended whenever he could until his illness in 1906, the question of Free Trade versus Protection was never raised. We devoted ourselves solely to obtaining information as to what were the conditions under which firms had to carry on their trades. The evidence was then analysed by a large staff of skilled assistants, none of whom could have any knowledge of what the result would be when the analysis was complete. The evidence was allowed to speak for itself on the assumption

that accurate description is the best way of arriving at a remedy. In the first days of the Tariff Commission we had a very large staff, but we were greatly hampered in obtaining the necessary funds for carrying on the work after Mr. Chamberlain's illness in 1906. In fact the Tariff Commission never had enough money. The object of the Commission, as defined by Mr. Chamberlain in his invitation to me to organise it, was to form public opinion on trade questions and to collect information which might serve as the basis for future legislation, and the intention was, that when the time arrived, the information should be handed over to the Government and that the organisation itself should be part of a new government machinery for fostering British trade. The original idea was that there would be a general election in 1904, and Mr. Chamberlain made such progress with his campaign that had that election taken place there can be no doubt that even though he might not have won outright he would have received such support that the whole future of the country might have been affected. But the election was delayed and the position was prejudiced. At the end of 1905 I went to Canada on Mr. Chamberlain's behalf to discuss with Canadian Ministers some of the technical questions involved in a scheme of preference. This visit had very important results so far as our knowledge of the construction of Dominion tariffs was concerned, in particular in regard to the incorporation of the Free List and the principles which must determine the arrangement of mutual preferences.

The principles which met with approval were, first, that in the mutual trade between Great Britain and a Dominion, there was a vast number of commodities upon which no question of tariff need ever arise; there should be mutual freedom of importation. The second was that in order to guard the autonomy of the various parts of the Empire and to obtain the revenue necessary for that purpose, the

imposition of tariffs was absolutely essential; but those tariffs, so far as possible, should be kept down to the minimum level. The third principle was that each part of the Empire had a natural and inherent right to preserve such trades as were necessary for complete development, and that therefore protective tariffs on some articles as between one part of the Empire and another must be accepted; but that when the schedules were examined, it would be found that in regard to such trades, there were large numbers of articles wholly or partly manufactured which had to be imported from one part or another, and that in respect to all articles imported from outside the Dominions or the States of the Empire, a generous preference should be given.

The election of 1906 came about quite suddenly, and before the differences, which were largely on the surface, were adjusted between the different wings of the Conservative party. There was an immense amount of misrepresentation, and as in 1923, the election was won by the opponents of Mr. Chamberlain not on the real merits of the question of a tarriff, but by misrepresentation, and by starting issues which really had nothing to do with the question. The real facts with which we had to deal were beyond dispute. It was a great mistake to suppose that for the justification of a scheme of preference it was necessary to establish the fact of the absolute decline of British industries. It is, in fact, much easier to make a successful scheme of preference if the industries of the country are flourishing than if they are declining. It is no advantage to our Imperial cause to be in a position to prove that Great Britain has reached the stage of decline. The vital thing was the relative decline of Great Britain and the importance of that in its bearing upon our Imperial and national responsibilities. When we published the Iron and Steel Report in 1904 we showed that Great Britain had recently fallen into the position of second in

world production; and that from a position in which we had turned out more iron and steel than all the rest of the world put together. When the Report was published, a great many Free Trade newspapers commented on this fact and said it gave them no anxiety; that we should quickly get back again, under Free Trade, to the position from which we had fallen. Of course we did not return to our former position, and we are now a very bad third in the production of iron and steel. The same course has been repeated in regard to a great many other industries, and it is obvious that in the world in which we live, this relative fall in British productive power is of enormous significance, especially in regard to taxation and defence. Iron and steel carry with them engineering; engineering, machines; machines, patterns and grades; and these, markets and customers; and under conditions of extreme competition between great countries equally well equipped for the trade of the world, it is obvious that the relative decline of Great Britain means the disintegration of the British Empire unless the Empire can be organised. The idea of the Imperial movement was that by taking measures to safeguard the industries we have at home, by encouraging production of the highest possible grades throughout the British Empire, and bringing about an economic unity between its several parts, we could reverse the movement which had set in, and if we could not maintain the supremacy of Great Britain in the world, at least we could that of the British Empire as a whole. If, therefore, we had to admit that British industries had fallen so low that they could not be re-established, it was perfectly clear it would not strengthen the case for British Imperialism, because no one in their wildest dreams could imagine that any of the Dominions could, for many, many years, possibly take the place of the United Kingdom in the economy of the British Empire.

The insistence upon the necessity for dealing with the

trade interests of Great Britain, or, in other words, the necessity for the protection of Great Britain, arose as a consequence of the investigation which followed the desire for Imperial organisation. Many of us, I myself in the number, rather doubted the reality of dumping until the investigation was actually undertaken, but as we gradually realised the conditions under which the businesses we investigated had to be carried on, it was clear that some policy at any rate was necessary if these industries were to be maintained. Hence arose what was called the protectionist side of the Imperial movement. It was a direct consequence of the investigations which were conducted, and after the explanation of business conditions obtained from those most qualified to give it. However, in spite of all that was done, the general election of 1906 was lost, and when Parliament met, Mr. Asquith duly celebrated the "obsequies of preference."

CHAPTER II

FREE TRADERS AND THE EMPIRE CONFERENCES

THE general election of 1906 was not the set-back that it was generally supposed to be in the development of the new policy. In modern times political leaders appear to arrogate to themselves a certain quality of infallibility in the exercise of which they suppose that at a moment's notice their followers in the country can instantaneously alter their views to suit Ministers in difficulties. This however is not really the case. The abandonment of the Free Trade policy in England had begun years before Mr. Chamberlain had started his movement. I always understood that the Free Trade movement reached its zenith in the sixties and that from that time both in regard to theory and practice it had been steadily declining. The change of conditions in this country is not the consequence of the action of political parties, but the permanence of political parties depends on the manner in which they handle the questions presented to them for solution. The Liberal Free Traders believed they had won a great victory in 1906. In fact economic policy was destined to wreck their prospects. Different methods of course had to be pursued on our side from those which we should have adopted had Mr. Chamberlain won a victory in the election. If he had won that victory he could have gone forward at once in the introduction of a tariff suitable to the needs of the trades which had been investigated. As events had turned out, it became necessary to direct the minds of the Government to the consideration of the facts

of the case. We therefore devised hundreds of questions, the answers to which were carefully worked out before they were addressed to the Ministers, so that the Government might be induced to confirm by their own investigations the conclusions we had already reached. Members of the Conservative party, which was never more efficient than during this Parliament of 1906, very much enjoyed putting these questions to Ministers and securing their replies, and the answers given by the Government were spread throughout the land through the press and by means of the Tariff Reform League organisation. In this and other ways the education of Parliament and the country was conducted with the utmost energy.

It fell to the new Government to hold the Colonial Conference in 1907. In 1905 Mr. Chamberlain had hoped to be there. But his illness had broken his career and others were in power when the Conference came on.

I have never been able to understand the attitude of the Free Traders towards Imperial Conferences. After all, the mere fact that statesmen representing the whole of the British Empire come together to consider the problems of the Empire and to devise such solutions as they can to meet common needs, is one of the most stupendous things in history. It is something entirely new, impressive, if it is considered, beyond the power of words to convey. Moreover it has to be remembered that these Conferences represent through the Prime Ministers of the Dominions and the officials present, every kind of political institution, all races, every aspect of the relations of the State to industry, experiments of every kind, over the largest field in which it has ever been possible to operate; and one would have thought that in face of this, the dignity, the importance, the vast significance of such gatherings would have impressed the meanest intelligence.

Moreover the Conference movement is of steady growth,

extending over a very long period of time. The first Colonial Conference was held in 1897. The Conference of 1907 was the fifth Colonial Conference of the series. At every one, important decisions have been taken. On the question of preference the Empire, excluding Great Britain, has always been of the same mind from the very time when the old preference was abolished by Mr. Gladstone. The attitude of the Dominions on the subject has always been the same. From the time when the first preference was given by Canada to this country in 1898, the wish of the Dominions has been not that we should impose a number of new duties in order to give them a preference, but that in regard to all duties then or thereafter imposed, Great Britain should give a preference to the products of the Empire. That is, the suggestion was that we should actually reduce the burdens upon our own people by the measures which were proposed. If the preference Canada desired in respect of the corn duty, when it was in being, had been given, the effect would not have been to impose a new burden, paltry as it was, upon the consumer in this country, but actually to reduce the burden of the existing duty. So in regard to the old revenue duties. If we had then fallen into line with the Dominions, as we have done since 1919, the intolerable burden of these food taxes on the community would have been actually reduced. The course proposed is so reasonable in itself that I have reason to believe that even in 1907, after the glorious Free Trade election, the British Government would have given preference to the Dominions in respect of existing duties if they could have done it, but it was found on investigation that certain treaty difficulties were involved which could not be overcome in the time at their disposal, and that it was only after the failure to do a perfectly reasonable thing that the unreasonable course was adopted of banging and bolting the door. None the less, the preference resolutions of the Conference of 1902 were reaffirmed by all the Dominions at

the Conference of 1907, and Lord Elgin, the Colonial Secretary, declared that His Majesty's Government was "unable to give its assent, so far as the United Kingdom was concerned, to a reaffirmation of the resolutions in so far as they imply that it is necessary or expedient to alter the fiscal system of the United Kingdom."

The following Resolution was agreed to by Members of the Conference, with the exception of Sir Wilfred Laurier, who was absent, and whose vote was not recorded, of General Botha, who did not support it, and of the representatives of His Majesty's Government, who dissented:—

"That while affirming the Resolution of 1902, this Conference is of opinion that, as the British Government, through the South African Customs Union—which comprises Basutoland and the Bechuanaland Protectorate—do at present allow a preference against foreign countries to the United Kingdom, Canada, Australia, New Zealand, and all other British Possessions granting reciprocity, His Majesty's Government should now take into consideration the possibility of granting a like preference to all portions of the Empire on the present dutiable articles in the British tariff."

The following Resolutions were also adopted:—

"That, without prejudice to the Resolutions already accepted or the reservation of His Majesty's Government, this Conference, recognising the importance of promoting greater freedom and fuller development of commercial intercourse within the Empire, believes that these objects may be best secured by leaving to each part of the Empire liberty of action in selecting the most suitable means for attaining them, having regard to its own special conditions and requirements, and that every effort should be made to bring about co-operation in matters of mutual interest."

"That it is advisable, in the interests both of the United Kingdom and His Majesty's Dominions beyond the seas, that efforts in favour of British manufactured goods and British shipping should be supported as far as is practicable."

CHAPTER III

TREATY COMPLICATIONS.

THE system of preference, however, steadily developed. Canada adopted the policy in 1897. In the new tariff of 1906 a special intermediate scale of duties was instituted to provide a basis for negotiation with foreign countries, and an Empire free list was made and a wide basis was provided for the negotiation of inter-colonial preferences. Under the successive changes of the tariff Canada and the rest of the Empire were drawn together in closer relations. Canada was followed by New Zealand in 1903, South Africa in 1906, Australia in 1907. A series of inter-colonial preferential agreements between Canada, New Zealand, Australia and South Africa, were concluded and to these were added in 1911 a preferential agreement between Canada and the West Indies, negotiated by the late Lord Balfour of Burleigh. In the sphere of commercial treaties the developments subsequent to 1907 were of great importance. In 1910 the new Franco-Canadian commercial convention came into force. This had been negotiated on the basis of the intermediate tariff of Canada, and in the course of the negotiations it had been found necessary to grant lower rates to France than the preferential rates extended to Great Britain. This disparity was afterwards corrected by legislation.

Following upon negotiations in connection with the United States tariff of 1909, Canada extended to the United States and all other countries concessions on thirteen groups of articles in the Franco-Canadian convention, and Canadian Ministers undertook to open negotiations for the readjustment of the trade relations with the United States on "broad and liberal lines." The Imperial

treaty system in fact was being rapidly modified under the pressure of economic forces. A provisional trade arrangement was made between Canada and Germany in 1910 abolishing the Canadian surtax on German goods and providing for a general commercial convention between Canada and Germany "at a time that may be found mutually convenient." Provisional arrangements were made by Canada with Italy and Belgium and concessions granted to the Netherlands. In each case, in consequence of the failure of Great Britain to join in the general movement, these foreign trading arrangements lessened the preferential advantage of the United Kingdom in the Canadian market and threatened the general position of the preferential movement. At the request of the Government of Australia, Sir Edward Grey opened negotiations with the Governments of Italy and Austria with a view to modifying treaties under which shipping privileges extended by the Dominions to the United Kingdom must also be extended to those foreign countries.

In our relations with foreign countries also it was brought home to the Government how difficult it was to make arrangements under the existing fiscal system. In the case of the treaty with the United States in 1907 only some special concessions to travellers' samples on dutiable goods could be granted in return for special tariff rates on certain kinds of works of art. In the Anglo-Japanese treaty negotiated at this time, coming into force in 1911, the Foreign Office could secure conventional tariff rates only by pledging this country not to impose, without adequate notice, any duties higher than a certain minimum amount on certain classes of goods exported to this market. The British Government thus tied the hands of future Chancellors of the Exchequer and imposed a disability upon Great Britain in negotiating with Japan which has even now not been got rid of. The action of the Government was thoroughly unconstitutional. They had no right to limit

the power of the House of Commons in imposing duties without the consent of the House. The agreement was made without consultation with the House of Commons. The new Japanese tariff contained no schedule of conventional duties because new treaties had not yet been arranged. Count Komura, the Foreign Secretary of Japan, in an official statement of Japanese policy, said that as Great Britain had "what is called a Free Trade policy, there is no room for a convention with that country."

In this treaty sphere, however, by far the most important event of this period was the proposed reciprocity agreement between Canada and the United States in 1911 under which the preference was to be abolished or reduced on a large volume of British trade with Canada, while Canada was to receive concessions from the United States from which the United Kingdom was to be excluded.

This proposed reciprocal trade agreement between Canada and the United States was simultaneously announced on January 26th, 1911, at Washington and Ottawa, in an exchange of letters between Mr. Knox, Secretary of State, on behalf of the Government of the United States, and Mr. Fielding and Mr. Paterson on behalf of the Government of the Dominion of Canada. It was arranged between the two Governments that the desired tariff changes should not take the formal shape of a treaty but that the Governments of the two countries should use their utmost efforts to bring about such changes by concurrent legislation at Washington and Ottawa. Mr. Fielding called it a "day to day" arrangement which might be brought to an end at any moment by either party, but while not attempting to bind the future action either of the United States Congress or the Parliament of Canada it was expressly stated in the letters exchanged that it was hoped and expected that the arrangement would "remain in operation for a considerable period."

This proposal caused the greatest alarm amongst the

advocates of an Empire policy in this country. Even Mr. Bonar Law asked me whether I did not think it desirable in the circumstances to abandon the policy of preference altogether; in reply to which I said that I did not think such an agreement would go through, and he need not be in a hurry to change his policy. The Tariff Commission published a very complete analysis of the proposed new arrangement as soon as the details were known. In addition to the restriction of the area within which preference could be given and the reduction of the preferences already granted, the key question in this affair was the position of the United States and Canada respectively in regard to commercial treaties. This question I think ultimately decided the issue. The United States and Great Britain take a different view of the most-favoured-nation clause in commercial treaties. The United States has always maintained what is in effect the older British interpretation of concession for concession, that is, concessions to a particular State in return for concessions from that State are only to be extended to most-favoured-nation States which give corresponding concessions. Under the British system, tariff concessions are extended automatically to all countries enjoying most-favoured-nation treatment. As Canada is a party to a great many treaties negotiated by Great Britain, she was bound by the British interpretation of the most favoured-nation-clause. The practical effect of that was that whereas under the reciprocal arrangement the United States confined its concessions to Canada, Canada had to give her concessions not only to the United States but to all other countries with whom she had most-favoured-nation obligations. These countries included the Argentine Republic, Austria-Hungary, Bolivia, Columbia, Denmark, Japan, Norway, Russia, Spain, Sweden, Switzerland and Venezuela. It was clear therefore that if the reciprocity agreement was carried the enforced enlargement of the area of concession

would compel Canada to seek release from her obligations under the most-favoured-nation arrangements. Especially must this have been the case if the reciprocal arrangement between Canada and the United States led to the adoption of the policy of complete commercial union between the two countries which President Taft disclosed in March 1911. Mr. Taft's proposal was for complete freedom of trade across the frontier and in the then condition of the figures this would have meant not only the complete destruction of the Imperial treaty system as it affected Canada but practically the whole of Canada's imports from all countries would have been placed on the free list and both the revenue producing power of the Canadian tariff and its power of protecting Canadian manufactures must have been destroyed while the British preference would disappear. Thus Mr. Chamberlain's prophecy that economic union between Canada and the United States would mean the political absorption of Canada would have been completely fulfilled. But the destruction of the Imperial obligations of Canada under our treaty system would have involved also the denunciation of all the Imperial treaties from which Canada desired to be released. These treaties were very numerous and affected in one way or another all parts of the British Empire, and the experience we had had under the denunciation in 1897 of the Zollverein treaties showed how great difficulties would arise with foreign countries under any step of that kind. Canada would have been forced into a separation. To protect her own interests she would have been bound to abandon the British interpretation of the most-favoured-nation clause and adopt that of the United States, but under the same sovereignty it is impossible to have a different interpretation of the same international phrases; and the carrying of the reciprocal agreement must therefore have meant a definite impetus to disintegration.

It is impossible to exaggerate the danger to British Imperial interests involved in this proposed reciprocity movement of 1911. A great meeting was held at the Albert Hall in May, 1911, at which Mr. Balfour spoke. So strong was the feeling in England about this agreement, and I may add about the intrigues which took place in regard to it, that there was a general expectation that Mr. Balfour would at that meeting abandon the policy of preference. On the contrary, Mr. Balfour made the finest Imperial speech of his life. When the election in Canada came on, in September, 1911, Sir Wilfrid's Laurier's Government was defeated on this issue, and this defeat brought to an end for the time the movement to make a number of separate commercial treatries in the British Empire with foreign countries.

The General Election of January, 1910, turned not upon the fiscal question, but upon Mr. Lloyd George's budget, and that of the following December on the House of Lords.

CHAPTER IV

HESITATIONS IN POLICY AND THEIR CONSEQUENCES

THE sixth Colonial and first Imperial Conference was held in London, between the publication of the details of the proposed reciprocity agreement between Canada and the United States and the General Election in Canada. One of the most important resolutions carried at this conference was that the British Government should open negotiations with all foreign countries concerned to secure freedom of action for the Dominions in respect of British commercial treaties with foreign countries to which they had acceded or by which they were bound. Sir Edward Grey, the Foreign Secretary, accepted the resolution and explained the position. He said that the Italian Government had announced they could not modify the existing treaty and that the only course by which freedom from its obligations could be obtained by the Dominions would be to denounce the treaty and negotiate a new one; while Austria-Hungary asked whether the object of the Australian Commonwealth was to prepare the way for the preferential treatment of British vessels.

But the year 1911 marks an epoch in the development of our economic policy in its bearing on international relations. In that year Mr. Balfour resigned the leadership of the Conservative party. I have always regarded that event as bringing to an end all hope of avoiding war with Germany. In those days I had many eminent German friends, and constantly discussed with them the outstanding questions of economic controversy which affected both countries. It is quite a mistake to suppose that no

agreement with Germany was possible. A great deal of the difficulty in our international relations arose from the fact that Great Britain had no economic policy; no foreign country knew where Great Britain stood, and although, if we had adopted Mr. Chamberlain's policy it might have given a temporary shock to German opinion, there is no doubt that a good recovery would have been made, and many eminent Germans with whom I conversed thought it would be very much better for the world, and for the peace of the world, if Great Britain made perfectly clear what she wanted to do with the British Empire, than if we went on, from year to year pushing our trade by the only methods which were available under a Free Trade system.

The interaction between economic, political, and militarist motives is of course so close and intimate that no one would undertake to speak dogmatically about what would have been the effect of a definite, clear lead from Great Britain in the economic policy of the world at that time, but the events which followed, especially the change in the attitude of Conservative leaders and the Conservative party to this Empire policy unquestonably led to a different view of economic policy. There was a great impetus to the extension of industrial, international, and financial combinations. In the failure to achieve what they required by the adoption of a sound national and Imperial policy, the great trading interests entered into international syndicates for the allocation of markets, and the financier began to dominate the statesman. From 1911 to 1914 the advocacy of an Empire policy became extraordinarily difficult. It was almost impossible to raise money to carry on the work, and every expedient seemed to be adopted to put the great cause of Empire policy into the background. After the introduction of the Home Rule Bill a definite attempt was made to drop the policy altogether. In Parliament, of course, attention was drawn to it from time to time, both by means of questions and by motions. I remember once

when I wanted to speak upon the Disestablishment of the Church in Wales, Mr. Speaker humorously observed that he hoped I would not introduce the subject of Tariff Reform! Little or nothing was done between 1911 and the outbreak of the war to build up a sound national and Imperial policy upon which our industrial interests would have been so organised as to bear with confidence the strain of the great international conflict which is now upon us. No one seemed to care, and all political interest was absorbed for the moment in the question of Ireland. I have a very full and complete diary of events for all these years and the constant shadow of the approaching war, reports from all quarters of our unpreparedness, the indifference of Ministers, the decline of trades vital for war efficiency, are tragic reading. Right up to the outbreak of the war one could find scarcely anybody who cared, although it was known that the foes we had to engage had captured industries which were necessary for war purposes.

I should mention that in the last memorandum issued by the Tariff Commission before the outbreak of war, that is in June, 1914, an analysis was made of taxation and expenditure, and several illustrative diagrams were included. This analysis suggested the following conclusions, which are of particular interest, in view of developments since the war. First, that national taxation and expenditure had increased much more rapidly than wealth, income or population; second, the average burden per adult male taxpayer inclusive of rates had increased much more rapidly than the average wealth or income, and was then £16, as compared with £12 5s. ten years previously; third, by the Budget of that year (1913–14) the proportion of direct to indirect taxation was 60 to 40 per cent. of the Imperial Revenue; fourth, that in the 30 years ending 1913–14 direct taxation had increased by 300 and indirect by less than 75 per cent. Thus the tendency had become

more marked to depart from the principle of equality as between direct and indirect taxation, which was characteristic of the orthodox Free Trade system when it was established. The diagrams showed the tendency in recent years to a parallelism of movement between prices and the average burden of direct taxation, a parallelism which suggested some sort of correlation. Up to the close of the nineteenth century there does not appear to have been any direct relation between the movement of prices and the movement of direct taxation, but with the beginning of this century there was a close parallelism. If there is a real correlation between these two movements, considerable doubt is thrown on the relevancy of the views of orthodox Free Traders to the circumstances of modern times, and while the growth of prices was no doubt to be partly attributed to the large increase of gold supplies in the world, that increase, on examination, did not account for the remarkable changes covering all the ground of taxation and commerce from the early 'nineties onwards, and the Tariff Commission suggested that the tables and diagrams raised many important questions for consideration before the system of taxation inaugurated by Mr. Lloyd George should become stereotyped, and especially the question whether the rapidly increasing burden of direct taxation was not tending more and more to fall on the general consumer.

Lord Faringdon raised similar objections in the House of Commons in connection with Mr. Lloyd George's Budget; but of course all the pre-war figures on these subjects have been made hopelessly out of date by our experience since 1914. The suggestions, however, contained in this analysis of pre-war taxation and expenditure do supply the answer to a large extent as to the cause of British industrial difficulties since the war concluded.

The outbreak of the war found the country economically unprepared to engage in the great struggle which followed. The economic policy of foreign countries, especially

Germany, had made great inroads upon British trade. Many of what afterwards came to be known as the key industries were either undeveloped or non-existent.

Mr. Bonar Law had often drawn attention to the vast importance of iron and steel as an indication of the general economic power of the country and we soon began to feel our relative backwardness when war operations commenced. What was still more important, we had become dependent upon enemy Powers for many of the essentials of war production, particularly in the chemical trade. Even in the cases where the raw materials were found within the Empire, they were discovered to be in the control of foreign countries. On the outbreak of the war, the offices of the Tariff Commission were besieged by inquirers to know where in Great Britain they could obtain the articles which they had hitherto procured from foreign countries, which were necessary for the production of munitions of war. There had been a general neglect for years and years before the war of economic policy in the sense of developing the resources of the country and of the Empire. The first thing we did on the outbreak of war was to endeavour to assist the Government by drawing up classified lists of firms in the country with the goods which they produced and showing the way in which they could be combined for efficient production of war material. This was done on the basis of trade materials collected over many years. When it was completed it was offered to the Government but not accepted. In the early stages of the war, there was a deep realisation of the fact that Germany was carrying on a war not only in the military sense but economically as well, but it was only by slow degrees that in England this was brought home to the authorities. The ways in which German policy had been applied for the purpose they had in view was very well known in the Tariff Commission offices, owing to the constant attention which it had been necessary to give to the treaty complications which were

threatening the disintegration of the British Empire, but it had always been extremely difficult to obtain a hearing for descriptions of the ways of economic diplomacy. Propaganda was dropped by all Tariff Reform organisations the moment the war broke out; in fact, it is true to say there had been little propaganda in the ordinary sense for years before the war—since 1910—and in the party sense none at all. All the machinery that had been created, especially the scientific equipment of the Tariff Commission, was devoted exclusively to assisting, so far as possible, in the successful carrying on of the war.

CHAPTER V

EMPIRE POLICY DURING THE GREAT WAR

EARLY in 1915 the Unionist Business Committee was formed in the House of Commons, with Lord Long as Chairman, to keep a watchful eye on all business questions affecting the conduct of the war, and to place any information or suggestions which the Committee had at the service of the Government. It was not the object of the Committee to raise questions in the House itself or to adopt a critical attitude towards the Government. If, and when, the Committee went to Ministers, the interview took place after long and careful examination of the questions involved, and the representatives of the Committee had constructive suggestions to put before the authorities. In this manner a great variety of questions were dealt with, chiefly economic, and the expert assistance of the Tariff Commission, in drafting the necessary memoranda and getting out the necessary figures, was freely drawn upon. Amongst the products to which the Unionist Business Committee devoted special attention were dyes (with a view to high explosives), optical glass, magnetos, certain kinds of porcelain, certain chemicals and tungsten.

In the autumn of 1915, the economic designs of Germany which were a part of their general war policy, were well known, and it was thought necessary to devise a method of action between the British Empire and its Allies which should checkmate the German purpose. It was in this movement that the famous Paris Economic Resolutions originated. Conversations took place in the autumn of

1915,, In September, 1915, Mr. McKenna as Chancellor of the Exchequer imposed duties on certain imported commodities, Imperial and foreign. Amendments for preferential treatment of Empire products moved by Liberals were defeated. In January, 1916, the House of Commons unanimously adopted a resolution calling upon the Government to enter into immediate consultation with the Governments of the Dominions, in order, with their aid, to bring the whole economic strength of the Empire into co-operation with our Allies in a policy directed against the enemy. It fell to my lot to move this resolution.

The Paris Economic Conference of June, 1916, followed the adoption of this resolution by the House of Commons, when the representatives of the Allied Governments agreed upon a series of measures as being " requisite on the one hand to secure for themselves and for the whole of the markets of neutral countries full economic independence and respect for sound commercial practice and on the other hand to facilitate the organisation on a permanent basis of their economic alliance."

The measures adopted were divided into three categories. The first were measures for the war period, the object of which was to prevent trading with the enemy. These war measures were carried out, and in fact covered a wider ground than was contemplated in the Paris Economic resolutions. In the second category were transitory measures for the period of commercial, industrial and maritime reconstruction, that is to say for the period following the termination of the war. A great discussion took place as to what would be likely to be the period of transition as it was called, but events have proved that we are not yet out of the period of transition. In the third category were permanent measures for mutual assistance and collaboration among the Allies to follow the termination of the transition period. Therefore it is a mistake to say that the Paris economic resolutions were merely war

measures adopted for a specific purpose. They were intended to be the basis for permanent understanding between the British Empire and the Allies.' The Allies decided :—

"To take the necessary steps without delay to render themselves independent of the enemy countries, so far as regards the raw materials and manufactured articles essential to the normal development of their economic activities. These steps should be directed to assuring the independence of the Allies not only so far as concerns their sources of supply but also as regards their financial, commercial and maritime organisation.

"They may, for example, have recourse either to enterprises subsidised, directed or controlled by the Government themselves or to the grant of financial assistance for the encouragement of scientific and technical research and the development of national industries and resources; to customs duties or prohibitions of a temporary or permanent character; or to a combination of these different methods.

"Whatever may be the methods adopted the object aimed at by the Allies is to increase production within their territories as a whole to a sufficient extent to enable them to maintain and develop their economic position and independence in relation to enemy countries."

The actual drafting of the resolutions is usually attributed to Mr. Runciman. But this policy would not have been initiated or carried through except for the whole-hearted co-operation of Mr. Asquith, who took it up with energy and made an exceedingly strong speech in explaining these resolutions to the House of Commons on August 2nd, 1916, stating that they were put forward by the British delegates, having been drafted by Mr. Runciman, then President of the Board of Trade; approved by Mr. Long, then Colonial Secretary; and by the two representatives of the Dominions, Mr. W. M. Hughes, and Sir George Foster. Mr. Bonar Law, speaking on June 23rd, 1916,

declared that these resolutions represented "the settled policy of the British Government."

On the third resolution Mr. Asquith stated that it laid upon the Allies the "bounden duty to take every practical measure to secure for their own use supplies which are produced in their own territories and to prevent any German control such as existed in some cases before the war." "We never realised," he said, "any of us, until the war broke out how we have allowed ourselves to become dependent with regard to these essential ingredients for the prosecution of some of our most important industries on sources of supply that were not only not within our own control but that could be absolutely controlled by the enemy." At the end of his speech Mr. Asquith said :—

> "No one who has any imagination can possibly be blind to the fact that this War, with all the enormous upheaval of political, social, and industrial conditions which it involves, must in many ways, and ought to if we are a rational and practical people, suggest to us new problems or possibly modifications in the solution of the old ones. I would regard it as deliberate blindness to the teachings of experience if you were to say we had forgotten nothing and had learned nothing from a War like this."

Before the discussion of the various economic resolutions in the House of Commons, Mr. Asquith had taken another very important step in the development of policy by the appointment of a Committee on Commercial and Industrial Policy under the chairmanship of the late Lord Balfour of Burleigh, to consider the policy to be adopted after the war, with special reference to the conclusions reached at the Paris Economic Conference. The terms of reference to the committee are so comprehensive that they are worth quoting verbatim.

The Committee was charged in its terms of reference to consider :—

"(*a*) What industries are essential to the future

safety of the nation; and what steps should be taken to maintain or establish them.

" (*b*) What steps should be taken to recover home and foreign trade lost during the War, and to secure new markets.

" (*c*) To what extent and by what means the resources of the Empire should, and can be developed.

" (*d*) To what extent and by what means the sources of supply within the Empire can be prevented from falling under foreign control."

This Committee at once got to work, and on February 2nd, 1917, on the eve of the meeting of the Imperial War Cabinet and Conference, issued an interim report. This interim report included the following resolutions:—

1. In the light of experience gained during the War, we consider that special steps must be taken to stimulate the production of food-stuffs, raw materials and manufactured articles within the Empire wherever the expansion of production is possible and economically desirable for the safety and welfare of the Empire as a whole.

2. We therefore recommend that H.M. Government should now declare their adherence to the principle that preference should be accorded to the products and manufactures of the British Dominions in respect of any Customs Duties now or hereafter to be imposed on imports into the United Kingdom.

3. Further, it will in our opinion be necessary to take into early consideration, as one of the methods of achieving the above objects, the desirability of establishing a wider range of Customs Duties which would be remitted or reduced on the products and manufactures of the Empire, and which would form the basis of commercial treaties with Allied and Neutral powers.

The Imperial War Conference which met in March, 1917, was one of the most important of a long series. The Governments of all parts of the Empire were represented including that of the United Kingdom, which was then a Coalition Government, and included Unionist, Liberal, and Labour members. It was evident from the outset that the settlement of the question of preference would

be of vital importance to the success of the Conference. The Tariff Commission published an historical review of the progress of the movement from the very beginning, and of the history of the Colonial and Imperial Conferences. Everything that was possible was done to prevent the question from falling into any sort of party rut. There was great hope that in the new situation created by the war the representatives of the Empire might be left alone to consider what was best in the interests of Imperial unity without regard to any kind of party situation here or in the Dominions.

After the Conference had been sitting some weeks, that is at the end of April, 1917, the Chancellor of the Exchequer, Mr. Bonar Law, announced to the House of Commons that the Imperial War Cabinet had "unanimously accepted the principle that each part of the Empire, having due regard to the interests of the Allies, shall give specially favourable treatment and facilities to the produce and manufactures of other parts of the Empire." A simultaneous announcement was made in the city by Mr. Lloyd George, the Prime Minister.

The Conference adopted unanimously all the resolutions of the Imperial Conference, and amongst them were the following, which are the "key" resolutions of future developments of policy:—

"(A). The time has arrived when all possible encouragement should be given to the development of Imperial resources, and especially to making the Empire independent of other countries in respect of food supplies, raw materials, and essential industries. With these objects in view, this Conference expresses itself in favour of:

(1) The principle that each part of the Empire, having due regard to the interests of our Allies, shall give specially favourable treatment and facilities to the produce and manufactures of other parts of the Empire.

(2) Arrangements by which intending emigrants from the United Kingdom may be induced to settle in countries under the British Flag.

" (B). Having regard to the experience obtained in the present War, this Conference records its opinion that the safety of the Empire and the necessary development of its component parts require prompt and attentive consideration, as well as concerted action, with regard to the following matters:—

(1) The production of an adequate food supply and arrangements for its transportation when and where required, under any conditions that may be reasonably anticipated.

(2) The control of natural resources available within the Empire, especially those that are of an essential character for necessary national purposes whether in peace or in war.

(3) The economical utilisation of such national resources through processes of manufacture carried on within the Empire."

It was, however, impossible to stop short at the expression of these Imperial aspirations in resolutions, and great consideration was given by those interested, to the steps that it would be necessary to take in order to give effect by the time the next Conference met, to the wishes of the Empire. There was no question of suddenly embarking on a vast scheme of policy. What was extremely desirable was that full preparation should be made for considering in detail at the next Conference the precise steps which it might be desirable to adopt, and in August, 1917, Mr. Walter Long, as Secretary of State for the Colonies, announced the appointment of a Cabinet Committee to decide upon the executive action required to carry out the proceedings of the Imperial War Cabinet. The Committee, which was called the Committee on the Trade Relations of the United Kingdom within the Empire, at once got to work. Amongst the subjects they considered were (1) preference both by means of a tariff and administrative measures; (2) the position of our commercial

treaties in view of the conditions arising from the war; and (3) the resources of the British Empire. On the last of these subjects comprehensive reports were made covering all the raw materials of the Empire. Meanwhile the final report of the Balfour of Burleigh Committee had been published. Its recommendations included, (1) protection against dumping; (2) the maintenance of key or pivotal industries " at all hazards and at any expense; " (3) protection by means of customs duties or other forms of government assistance " either for reasons of national safety or on the general ground that it is undesirable that any industry of real importance to our economic strength and well-being should be allowed to be weakened by foreign competition, or brought to any serious extent under alien domination or control; " (4) preferential treatment of the products of the Dominions on the lines agreed to by the Imperial Conference; (5) revision of our commercial treaties; (6) the appointment of a " strong and competent Board " to examine tariffs and other forms of Government assistance.

These suggestions of the Balfour of Burleigh Committee, together with the labours of the Committee on the Trade Relations of the United Kingdom within the Empire, and many other war committees which had been directly or indirectly considering economic questions, provided a vast amount of material for consideration by the Imperial War Conference which met in June, 1918. So comprehensive was this material, and so detailed, that the Conference as a whole did not feel able to deal with it, and accordingly appointed a committee of its members to take these matters into consideration and bring up the necessary resolutions. This economic committee, of which I was chairman, met regularly during the Conference, and the work of the committees which I have noted was analysed and brought under the proper headings, with abstracts of the information which had been obtained. Each brief

report was followed by resolutions put in the form of recommendations for consideration by the respective governments of the Empire; and the main resolutions of the Conference, which covered every aspect of our economic life, and these recommendations, constituted a large scheme for consideration for the economic development of the British Empire on practical lines. All the resolutions at this Conference, as at that of 1917, were agreed to unanimously. Mr. Walter Long (now Lord Long) was chairman of both Conferences.

This development of Empire policy was not considered in the narrow Imperial sense as a subject of importance only to the British Empire. The Paris economic resolutions, the Balfour of Burleigh recommendations, and the resolutions of the two Imperial War Conferences, formed one whole. The governing consideration was that the best method of setting to work to reconstruct Europe was that in the first instance the British Empire should set its own house in order, and it would then be in the best position for forming agreements with foreign countries, and no foreign country was excluded from its consideration.

Of course these two modes of action, logically separate, went on concurrently, and if the full idea which dominated the Empire representatives in 1918 could have been acted upon, there can be no doubt that the world would have been set to work much more rapidly after the termination of the war and many of the problems from which we are now suffering would probably not have arisen. The view which prevailed at the time of the Imperial Conferences was certainly that the vast collections of materials bearing upon policy which had been collected and considered should go forward to the Versailles Conference, so that our representatives at the conference should have all possible aid in defining the position of the British Empire and the mutual interests of the Empire and our Allies.

CHAPTER VI

COALITION COMPROMISES

THE Coalition Government of 1919 was formed, so far as economic policy was concerned, on the basis of accepting the policy of safeguarding our industries against dumping. The policy of preference on duties then in operation had, as I have explained, already been accepted, and it remained to give effect to this decision in the Budget. The policy of the Coalition Government was thus a compromise, and the resolutions of the Imperial Conference of 1918 were not submitted to the House of Commons. This course was strictly speaking not constitutional. The correct practice, to be followed as we understand by the present Labour Government, is to bring up the resolutions in the House of Commons. If the Government which agreed to the resolutions is at that time in office, the resolutions become a question of confidence; if it is another Government there should be a free vote in the House. In the case of the Conference of 1918 the personnel of the Ministry with one or two exceptions was precisely the same as at the time of the Conference, but it was a new Government, and its policy was more restricted than that of the Government it displaced. The resolutions should therefore have been brought up in the House and the whips taken off. There can be no question that if this course had been followed the decisions of the Imperial Conference would have been accepted by an overwhelming majority, and Mr. Lloyd George and his colleagues would have entered into the Versailles negotiations with a clear mandate from Parliament as to the general principles which were going

to guide our policy. Instead of this the work done by the Imperial Conference, and I may add by many other committees, was practically thrown upon the scrap heap, and the economic side of the peace was never settled. It was not possible in the course of the negotiations to do over again, even if anyone had so wished, the work of preparation for reconstruction after the war which had consumed the energies of many experts for several years.

This neglect of Empire wishes and Empire policy must be regarded as one of the reasons for the misfortunes of the country since the end of the war. Before the end of the war it was plain that there were two schools of thought in regard to the peace and reconstruction of Europe. The one seemed to trust to a vague internationalism, in theory at any rate, for the solution of our problems. I say in theory because while statesmen, and even nations, talk in this manner about international brotherhood, the same statesmen and the same nations have behind the veil pursued an exclusive policy without parallel in the history of the world, and at the present time the civilised world is broken up into more separate economic areas with more customs frontiers and higher tariffs than we have known for more than a hundred years.

The other school of thought looked to the British Empire as suggesting in a sense a model for the reconstruction of Europe. Instead of scrapping the precedents of ages and reducing the treaty system of Europe to hopeless confusion, they would have made the League of Nations a real family of nations under which all that was available in the old system should be preserved and full account taken of pre-war experience. The neglect of the decisions of the Imperial Conference restricted the basis upon which the Coalition Government was formed—a basis which was not understood in the same sense by the two parties to the compromise—and had ill effects upon the country. Contrary to the view held in some circles, experience had

shown that the strength of what was called the Tariff Reform movement was in the working people. In the old days of the Tariff Reform League, by far the strongest branches were the Labour branches. But the constant changes in the attitude of political leaders to the vital questions involved wearied working men and drove hundreds of thousands of them into the ranks of the Labour Party. It is not sufficiently appreciated that the ordinary Englishman in all ranks of life does not understand or care about the fine distinctions and artificial phrases which are used to hide the real differences amongst politicians, and the use of terms like "key industries," "safeguarding," and at the present time "sheltered industries," which convey no real information as to what the political leaders really intend to do, makes more enemies than friends. Working people especially like to be told in the most simple and direct language, that is, in plain English, what political leaders really intend to do, and if their policy cannot be expressed in these terms, they are apt to think that the political leaders have no policy at all and are attempting to remain in power or to get into power by the use of phrases which merely cover their mental nakedness.

On the Balfour of Burleigh Commission I remember we never succeeded in discovering what in reality a "key" industry was. Several Departments exercised their brains on the term. Ultimately it seemed that the term had been used chiefly to limit the operation of a necessary policy. Conservatives, at any rate, understood that the Coalition compromise quite definitely meant that tariffs would be used, and were necessary, to protect the threatened industries. But the first Bill introduced by the Coalition Government made no use of tariffs, but provided for enormous extension of Government interference with industry and had to be withdrawn. It appeared that under the curious economic system we had adopted during

the war, one might destroy the banking system of the country, impose restrictions of every kind on freedom of movement, prohibit imports, do anything and everything that was contrary to the old idea of Free Trade except impose a tariff, however trifling. This inhibition on the only policy which the British Empire really wanted remained and remains as a kind of religious act to be performed by the votaries of the fallen gods of *laissez faire*.

Another Safeguarding of Industries Bill, however, was introduced on the failure of the non-tariff Bill, and in 1921 the present Safeguarding of Industries Act was carried.

I was prepared to accept the Safeguarding of Industries Act, unsatisfactory as it was, as a termination of the controversy for the moment. Its full title should have been the Safeguarding of Industries Against Protection Act, so many were the qualifications and reservations introduced as the Bill was going through the House. These qualifications and reservations are quite proper in themselves and are only some of the considerations which have to be taken in view in making a tariff, but they would have been more properly placed in a paper of instructions to the committees which had to consider the various industries than in the Act itself, as legal obstacles in the way of taking action to bring the relief that was promised to the different trades. Costs of production in the country of origin are quite beyond the power of anybody to obtain in many industries, even in the country of origin, and must always be much simpler for some trades than others. Where a factory turns out a great variety of inter-related goods it is as impossible to allocate precisely the cost of any particular article as it is to say what is the cost of bringing a third-class passenger by train from one place to another. Any trade that is able to present a good case should be placed in a position to do so. It could still have remained quite open to the Committee to bring into play all the considerations of the Act

and many others before promising to put on a tariff; but it is a great mistake in legislation to promise things you do not intend to perform, and the impression got abroad amongst the business classes that the Safeguarding of Industries Act was a fraud.

The position after the Safeguarding of Industries Act was as follows. There were in force what are known as the McKenna duties, the objects of which I have already indicated; the old Revenue duties, so-called, which, however, had long passed the equitable stage, both in their amount and their incidence; and Schedule I. of the Safeguarding of Industries Act, which included thousands of articles, many of which were not made in this country or the Empire; and as the second part of the Act came into operation, certain industries which succeeded in escaping the meshes of the Act itself, got the protection the Government promised. The full list of these articles will be found in the Appendix.

Preference was given in respect of the McKenna duties, the old Revenue duties, and Schedule I. of the Safeguarding of Industries Act, but since, in the interpretation of the treaty position which was taken in official circles, the second part could only practically be brought into force against Germany, with whom we had no commercial treaty, preference did not apply to the important articles which were gradually brought under that section.

After the passing of this Act it was of course absurd to suggest that this country any longer retained the Free Trade system. With thousands of articles on the Customs tariff, and preferential arrangements entered into with all parts of the British Empire, it would require a revolution to re-introduce what our forefathers understood by Free Trade, and it may be taken for granted that Free Trade in that sense will never again be introduced into this country. The change implied was very great, and since everyone was tired of controversy it was hoped that for the future the

different parties would lay aside their old weapons, quote no more the old tags from the text books of the Victorian era, but set to work with quiet minds to evolve a new system of economic policy which would suit the modern conditions under which we have to live.

CHAPTER VII

A NEW DEPARTURE

THE change in the Empire situation went far deeper than was implied by the tariff changes in this country. The status of the Dominions has gone through many changes in the last twenty years, and in no respect of greater importance than the new relation of Dominion Governments to commercial treaties. I have above alluded to the difficulties which have arisen within the Empire under the operation of the most-favoured-nation clause in treaties. Its purpose under the British interpretation, adopted practically everywhere except by the United States, was to secure to the United Kingdom all tariff concessions granted by any other country to a third country. This object was never attained, and the Dominions for many years showed their restlessness under the British interpretation and their objection to their inclusion in treaties, in the negotiation of which they were not direct parties. Before the year 1880, commercial treaties of all British Possessions came within the sphere covered by the negotiation of British Ministers, and in the treaty between the United Kingdom and Roumania of that year, though the most-favoured-nation clause was retained substantially in its old form in the protocol of the treaty, provision was made "for the exclusion of any British colony or foreign possession of Her Britannic Majesty" when due notice was given. Subsequently Canada specifically intimated her desire to be excluded.

These restrictions on the negotiating power of the

Dominions have gradually disappeared until at present not only is no Dominion or Colony bound by any treaty to which it has not intimated its desire to be a party, but the Dominions themselves exercise the right of negotiating treaties on their own authority. The importance of this in the commercial policy of the British Empire was extremely great, and much consideration was given to the subject before the Conference of 1923. If the position then reached is ratified, a satisfactory solution has been obtained of the difficulties involved.

Meanwhile, after the somewhat artificial boom of 1920, the export trade of Great Britain collapsed. The position was summarised in one of the last Memoranda issued by the Tariff Commission. The percentage fall in exports in the leading trades of the country ranged as high as 72 per cent., in comparison with the export trade of the year 1913. The explanation generally put forward, especially by the politicians, was that Great Britain was simply suffering along with a number of other countries from the after effects of the war. This, however, was not borne out by the analysis, and it was shown that the experience of Great Britain differed from that of other leading industrial countries. In the case of every one of them, either the rate of decline had been checked or there were manifest signs of recovery to pre-war level. With regard to the Continental protected markets there appeared to be no immediate prospect of a return to previous conditions. With regard to the neutral markets and the Far East it was pointed out that the conditions of competition were likely to be more acute than they had been in the past. The chief hope lay in British Empire markets and in the co-operative development of their vast resources of raw materials, manufactures and agriculture, and it was pointed out that whereas for many years in the Victorian era Empire trade was subsidiary to that with other parts of the world, the future position of the British Empire "seems

likely to depend more and more on the Empire itself." This memorandum further said :—

> It has been generally recognised as another essential consideration that a progressive export trade in this highly competitive age depends upon large production, and large production is only possible if a steady home market is assured. It was on the basis of this steady and assured home market that the United States, Germany, and other industrial countries were able before the war to develop their export trade at a far more rapid pace than Great Britain.
>
> This essential consideration must now be revised. By the development of policy, both during and since the War, the conception of the "home market" is being extended to mean the British Empire, and the Empire is being knit together economically more closely than hitherto, thus bringing into the general trade of the world Imperial resources which are at present so largely unused. This development is expressed in the policy adopted by the statesmen of the Empire in conference, as set out in the succeeding sections of this memorandum. It is not something invented by statecraft to carry out the objects of interested groups, but a gradual evolution extending over a long period of time in response to the changing conditions of the life and industry of the Empire.

The official figures of unemployment went up to 2,300,000. In these circumstances it seemed unfortunate that the British Government had to all intents and purposes abandoned the great scheme of policy inaugurated at the Imperial Conferences of 1917 and 1918; and in July, 1922, Lord Long, who had been Secretary of State for the Colonies at both Conferences, wrote to *The Times* calling attention to this fact. His letter was as follows :—

> SIR,—At the present time when there is much general talk about the improvement of the relations between different parts of the Empire, and of the development of trade within the Empire, it seems to me to be especially desirable that immediate steps should be taken in reference to the latter most important question, and I would

like to remind my fellow-countrymen that all the necessary steps for embarking upon this great Imperial enterprise were taken during the time I had the honour to be Secretary of State for the Colonies.

Certain events which occurred in 1917 and 1918 are, I think, forgotten ; in the former year definite resolutions dealing with this subject were unanimously adopted by the Imperial Conference ; following upon these, in 1918, a Cabinet Committee was appointed, over which I had the honour to preside and upon which all the great Departments concerned were represented—the Foreign Office, the India Office, the Treasury, the Board of Trade, the Minister of Labour, and the Minister of Reconstruction.

This Committee went fully into the trade relations of the United Kingdom with the rest of the Empire and also into our Treaty relations with other countries. The reports of this Committee were approved by the Cabinet and brought before the Imperial Conference of 1918.

The Imperial Conference thereupon appointed a special Economic Committee, which was presided over by Mr. Hewins, M.P., Under Secretary of State for the Colonies. This Committee went exhaustively into the whole question and prepared a series of reports which were brought before the Conference, and resulted in the unanimous adoption of numerous resolutions and definite recommendations, and also prepared the material necessary for giving effect to them.

These resolutions were unanimously approved by the Governments of the Empire of that day, including the British Government, which represented all parties with the exception only of the Irish.

I venture most respectfully, but most earnestly, to urge that steps should at once be taken to appoint a Cabinet Committee to prepare the way for an Imperial Economic Conference, to be summoned at a later date, and which should be able to deal finally and effectively with the whole subject which is of so great Imperial importance.

Your obedient servant,

LONG OF WRAXALL.

17 Ennismore Gardens, S.W.7, July 6th.

This was followed by the organisation of the Empire Development Union, the object of which was the promotion of the trade relations of the United Kingdom within the Empire on the lines of resolutions unanimously adopted at successive Imperial Conferences. From that time, everything possible was done through the Press and in other ways to direct attention to this important body, and on the fall of Mr. Lloyd George's Government in September, 1922, Mr. Bonar Law announced his adhesion to the policy of the Conferences and his intention to organise another Imperial economic conference to take into consideration the necessary measures. It is not my intention to dwell upon the interaction of politics and economics, but during the election which followed the fall of Mr. Lloyd George's Government, Mr. Bonar Law gave the following pledge :—

> " Just because I think any violent change would be bad at the present time, this Parliament will not make any fundamental change in the fiscal system of this country. I will tell you why. The old fiscal controversy was based mainly on the ground whether or not a tariff system would help trade and employment in this country. Things have greatly changed since that controversy. The absolutely mad way in which the exchanges are going has altered the position entirely. But apart from that, if I believed, and I do believe, that a change in our fiscal system would be good for us in the long run, I say at the same time, at a period like this, when security and confidence are what is mainly wanted, the advantage you would get from changing the system would not be as great as the disadvantage which would come from the disturbance it would cause." (Nov. 7, 1922).

This pledge caused the greatest discouragement throughout the British Empire. It was, of course, not clear what it meant, or within what limits action would be possible. The " fiscal system " to which reference was made in the pledge had been going to pieces for forty years and competent observers on the continent had long concluded that

Great Britain had abandoned her Free Trade policy. Moreover, there were duties and Acts of Parliament in operation. The Safeguarding of Industries Act continued to be administered, and industry after industry was examined with a view to protection. In the plain sense of the words, therefore, the pledge was of purely academic interest, because it was being violated every day. The importance of it lay in the fact that it was concluded both in this country and throughout the Empire that the new Conservative Government which had come in and which had been pledged to an Imperial policy since 1907, did not intend to do anything to carry it out, and the Imperial Conference to which Mr. Bonar Law was pledged was considerably jeopardised. In these circumstances the Empire Development Union summarised the position in a statement that was cabled direct to the Dominion and other Colonial Governments. This statement is as follows:—

> In view of the Imperial Economic Conference which is to assemble in London, at an early date, it is desirable that we should review our present Imperial trade relations, and consider what can be accomplished by Great Britain in the immediate future to strengthen them on a reciprocal basis. It will be remembered that at, and subsequent to, the Imperial Conference of 1902, the representatives of the British Empire, with the exception of Great Britain, unanimously agreed to a resolution suggesting that the time had come when, in respect of duties now or hereafter imposed, preference should be granted by each State of the Empire to the other States; but at the Conference of 1918 a resolution far wider in scope on the same subject was unanimously adopted by all the representatives of the Empire including Great Britain. That resolution is to the following effect:—
>
> > The time has arrived when all encouragement should be given to the development of Imperial Resources, and especially to making the Empire independent of other countries in respect of food supplies, raw materials, and essential industries. With these objects

in view this Conference expresses itself in favour of:

(1) The principle that each part of the Empire, having due regard to the interests of our Allies, shall give specially favourable treatment and facilities to the produce and manufactures of other parts of the Empire.

(2) Arrangements by which intending emigrants from the United Kingdom may be induced to settle in countries under the British flag.

In the course of the same year the Government appointed a Ministerial Committee on the trade relations of the United Kingdom within the Empire, to consider what steps should be taken to carry this resolution into effect. This Committee collected much material, and prepared reports which were submitted to and approved by the British Cabinet, and then laid before the Imperial Conference of 1918. This Conference appointed an Economic Committee which took into consideration detailed plans which had been drawn up by the Trade Relations Committee and added to, with the result that a series of resolutions was unanimously adopted, the object of which was to give full effect to the policy of preferences outlined in the resolution of 1917. The materials collected and the report of the Conference were circulated throughout the British Empire with the suggestion that the various Governments should take into consideration the methods by which they could give effect to the plans which had been outlined.

During the last 25 years the Dominions have generously given substantial preference to many groups of the exports of the United Kingdom. In the United Kingdom a beginning has been made in giving practical effect to the policy of these two Conferences. Preference in respect of duties imposed is now given (1) on the schedule of duties imposed by Mr. Asquith's Government in 1915; (2) on the revenue duties included in the Budget of 1919 and subsequent years; (3) in respect of the articles subject to a duty of 33⅓ per cent. under Part I. of the Safeguarding of Industries Act. A preference, though small in extent, is thus given on many groups of articles, and we can justly say that the measures actually adopted have established the principle to which expression has

been given at one Imperial Conference after another that where duties are imposed, a reduction should be made for countries within the Empire, whether the articles affected are food, raw materials, or manufactures.

Of course the articles affected have not been selected with a view to giving a preference. They are included in the British tariff in accordance with circumstances with which the British Parliament has had to deal at the time when they were imposed. The preference thus given is somewhat haphazard from the Imperial point of view, and not in itself calculated to achieve the results which the advocates of the principle have always kept in view. These preferences, however, are sufficient to show that in principle the United Kingdom is now at one with the other parts of the Empire on this question.

The Imperial Conference of 1918 made a number of recommendations for consideration by the respective Governments of the Empire as to the development of the resources of the Empire in raw materials. Practical steps have been taken in some directions, for example, by the Non-Ferrous Metal Act so far as it has been brought into successful operation, the British West African preferential export duty, the Nigeria and Malay preferential export duty, and the Dyestuffs Act of 1920; and in regard to the use of national credit for developing the trade of the Empire, financial proposals were adopted in 1921 and in 1922 to assist revival of trade in which Empire countries should have a predominant share. The formation of the Overseas Settlement Committee (now the Empire Settlement Committee) in 1918, and the Empire Settlement Act of 1921 give good hope that in co-operation with the Dominions much may be done for settlement within the Empire; and various measures have been taken to carry out other resolutions of the Conferences.

In fact we may confidently say that under all these different measures thus briefly enumerated, practical expression has been given to every principle which is necessary for carrying out the objects of the series of resolutions adopted in 1917 and 1918; and no doubt if the times were normal, and if it were possible to go on quietly and steadily experimenting on the lines which have been laid down, then ultimately a very extensive

scheme for promoting trade within the Empire would be the result. But the measures actually adopted are inadequate to carry out the great purpose in view at these Imperial Conferences, in time to cope successfully with the great economic crisis through which the British Empire and the world in general are passing at the present time. It is, therefore, of the highest importance that at the Economic Conference which is now to assemble, every method should be surveyed in the light of experience with a view to the mutual adoption of an Imperial economic policy on a scale sufficient to lead to the rapid development of the Empire and to the solution of the grave difficulties with which we are confronted.

The Empire Development Union has been formed to promote this very object and has considered the lines upon which further progress can be made and difficulties can be surmounted. It is of the utmost importance that at the next Conference generalities should be left behind, and that all the representatives of the Empire should do their utmost to evolve concrete schemes of organisation and decide actually upon the next steps to be taken.

The resolution of 1917 contemplates preferential arrangements within the Empire in respect of food supplies, raw materials, and manufactures. Taking food supplies first of all, it must be remembered that the position within the Empire has changed immensely during the last twenty years. Few people in this country realise to what an extent the Empire is already self-sufficient so far as production is concerned. This may be illustrated from the figures relating to wheat and meat produced within the Empire. The United Kingdom requires about 140 million cwts. of wheat annually. Of this amount we have produced on an average about 36 million cwts., and imported from Empire sources another 40 million cwts., leaving a balance of over 60 million cwts. to be procured from foreign countries. But Canada and Australia send to foreign countries no less than 90 million cwts., that is to say 30 million cwts. more than we require to import from foreign countries. Therefore self-sufficiency with regard to wheat is not a question so much of stimulating production, but of diverting to the British market a portion of Empire wheat now exported to foreign countries. But if the

productivity of the Empire is increased, as it may be far beyond the necessities disclosed by these figures, it is clear that we can not only supply our own needs, but in the Empire have a large surplus for export to foreign countries. Hence, under a proper policy of Empire Development in this respect, there can be no risk of a rise of prices. In the case of barley and oats the home-grown crop of the United Kingdom represents a much more important proportion than wheat of the total supply.

Australia and New Zealand send us the bulk of their exports of beef and mutton, preserved meats, rabbits, and hares, but Australia sends us none of her exports of pork. Canada's exports of fresh beef amount to 520,000 cwts. of which we get only 88,800 cwts., and her exports of mutton and lamb amount to 64,000 cwts. of which we get none. Of our meat supplies about half is home produced, and of the remainder 21.5 per cent. of beef and 64.2 per cent. of mutton comes from Empire sources. The question of the arrangements of an adequate preference on these productions in some form ought to engage the earnest attention of the Imperial Economic Conferences. The very large figures involved show that in any satisfactory plan of Empire development this part of the scheme is of absolutely vital importance; but the exact method by which Empire food supplies can be directed to the British market is bound up with the agricultural policy which is adopted for Great Britain. If that policy should include the imposition of duties on imported produce, preference to other parts of the Empire would automatically follow. But the agricultural policy of the United Kingdom is still under consideration, it has in fact, in certain important aspects, been referred by the present Government to two commissions, and it is impossible to say at the present time what will be the outcome of their deliberations.

The Trade Relations Committee of 1917 and 1918, and the Imperial Conference of 1918 reviewed the resources of the Empire, and showed that practically every requirement of the United Kingdom could be satisfied under proper measures of development from within the confines of the Empire. Since that Conference Lord Long has published a brief summary of the present

position in *The Nineteenth Century* for October, 1922, pointing to the same conclusion. At the Imperial Conference, and since that date, various schemes of developing these material resources have been under consideration by the Governments of the Empire. Preferential arrangements with regard to raw materials must clearly depend not so much upon the imposition of duties, which, generally speaking, are undesirable in regard to raw materials, but on a favourable disposition on the part of the Government to support private enterprise, and to stimulate the adoption of measures by a proper use of national credit. Progress, however, in the development of the raw material supplies of the Empire must be slow unless active and energetic steps are taken to carry forward schemes of Empire settlement, and so provide the necessary population, and also to improve the communications within the Empire. The adoption of the Empire Settlement Act provides the legislative basis upon which schemes for stimulating the former movement should be actively undertaken. The circumstances of the different Diminions are different, and no cut-and-dried scheme can be made for all. It is eminently a question in which the closest consultation and co-operation between the Governments and private bodies should take place.

In regard to communications, it would be found possible, if the stores of information in the Government offices were considered, to choose what we may call key points within the Empire in regard to roads, railways, harbours, docks and steamship lines, cables and wireless, where measures could be taken, with the aid and countenance of the respective Governments, to link up the market centres and the localities where the material resources are to be found, in such a way as to stimulate greatly the movement we all have at heart.

Measures of this kind should be taken into consideration at once. A long time must necessarily elapse before the full fruit of such undertakings could be looked for. But every step taken in this direction now would fall into line with those larger schemes of preference which we shall certainly see adopted within a measurable distance of time.

Preferences are already given by Great Britain on

numerous groups of manufactures upon which duties have been imposed, but these preferences have not proved to be of any great value to the Empire up to the present because for the most part the industries which they affect do not exist. If and when the country decides to extend its system of import duties to cover other manufactures then preference in respect of these commodities would automatically follow to all parts of the British Empire. In past controversies the value and importance of this form of preference within the Empire if given by Great Britain has been greatly under-rated. A most valuable scheme could be adopted which would lead to great mutual advantages between the Dominions and this country and to an enormous increase of their trade. Successful action on these lines means that the people of the United Kingdom must realise that their first duty is the protection of the British market against unfair competition. There can be no solution of the Imperial problem unless the heart of the Empire is sound. Duties imposed for this purpose would be a fit basis upon which to grant a manufacturing preference to the rest of the Empire. There would be no risk to British Industry involved in that process, while at the same time there would be an inducement given to the other States of the Empire to reach their full stage of development. In the mutual growth of economic enterprises, bound together by reciprocal preferences, would be found the guarantee of a constantly extending market for our goods. If the present rate of preference on existing duties is increased, and if further schemes are worked out upon the lines here suggested, we shall have found a speedy solution to the problem of unemployment which threatens such danger to the whole community.

The Imperial Conference and the Imperial Economic Conference met on the 1st October, 1923, and hopes ran high that much would be accomplished for the development of Empire trade.

Meanwhile the distressed condition of many industries and the state of unemployment in the country had been constantly brought to the attention of the Government, and Mr. Baldwin was in the position in which he was

obliged to decide what steps were necessary to deal with the problems this state of things presented. It is a great mistake to suppose, as many people do, that the tariff issue is a nostrum which is taken up from time to time by the Conservative Party without any special reference to the real needs of the country. Every Government for the last twenty years or more has been brought right up against the question of what our economic policy should be in connection either with the finances of the country or its trade, of which the financial position is the reflex, and it is safe to say that no Government can exist for long in this country until the economic position has been dealt with. It will therefore be convenient at this point to examine what the industrial position of the country really is.

CHAPTER VIII

THE COMPARATIVE DECLINE OF GREAT BRITAIN

I HAVE already drawn attention to the fact that the movement I am describing is not a recrudescence of the old protectionism, but resulted from certain Imperial problems. To deal with those problems it was not necessary to show that British industries were absolutely declining or even that the Free Trade system had failed. The new policy was founded in the first instance on the relative decline of Britain and the impossibility of organising the British Empire as it should be organised, without a new policy to meet the competition of half a dozen other great countries as well equipped and as progressive as we were supposed to be in industrial enterprise. When the facts were examined, the position of industry in Great Britain itself came as a revelation to many people engaged in the movement. The conditions disclosed made the solution of the Imperial problem much more difficult, for it is much easier to devise a good system of preference with a flourishing industry at home than it is if the home industries are falling off.

The form in which the case for Empire policy is presented is not now the same as it was twenty years ago. In the conditions with which we actually have to deal it appears now that the main hope of reviving British industry lies in the development of the British Empire, and the policy which we must pursue here is governed by that fact.

One of the first points brought out by the inquiry of the Tariff Commission was that the structure of British industry was much more varied than was generally assumed

to be the case, and that the smaller manufacturers played a very important part in the general economy of the country. The view popularised in the economic text books was that since the industrial revolution of the eighteenth century the general type of organisation in England was such as we find in a highly specialised spinning factory in Lancashire, that the small manufacturer had been weeded out by the stress of competition and was to be found only in such survivals as the wrought nail makers and the numerous small industries in the Birmingham district, and that there was a continuous tendency towards large factories and the concentration of business in a few hands. The ideal factory itself was run on borrowed capital, the entrepreneur was everywhere being converted into the paid manager of the Joint Stock Company, and the wages of the workpeople were fixed by a system of collective bargaining carried out by the Trade Union which itself worked with perfect precision. Moreover this development was accompanied by a continuous increase in the efficiency of labour and towards the evolution of more and more skilled forms of industry so far as England was concerned, the less skilled and the more backward stages of manufacturing being left to the less advanced countries. England was thus represented to be at the most advanced stage of development. This is to a very large extent a fanciful picture. As the forms issued by the Tariff Commission were returned it was at once seen that the type of organisation pre-supposed in the economic text books was by no means normal. One of the most highly specialised industries in England is cotton, but the cotton trade is a vast collection of numerous industries rather than one industry, with no two factories ever alike in the branches covered, the numbers employed, and the character of their organisation, and this variety which is still found in cotton extended in a greater or less degree over the whole field of industrial enterprise.

One of the results of the failure of Mr. Chamberlain in 1906 was a stimulus to combinations in industry of a more or less international character. Manufacturers tried to obtain by combination and the allocation of markets the steadiness of trade which they could not obtain by a national policy. Under the influence of these constantly extending combinations the small manufacturer now has little chance, and works after works one knew twenty years ago, running independently and prosperously on established lines, have been swallowed up by the great industrial combinations of the last few years. This had a great influence on the character of the Labour movement. There is a tendency in British industry towards a new type of feudalism and Labour problems have become more and more difficult to solve as the personal touch in British industry has grown less. Another characteristic which was brought out very clearly by the inquiries of the Tariff Commission was that English industry had run to a large extent in old channels and depended for the sale of its products upon market connections the origins of which had been long forgotten. Take away the momentum which old established industries acquired in the course of generations, their good-will, the vogue they enjoyed through familiarity with their patterns, their ways and their business methods, and one of the greatest assets of Great Britain would be destroyed. This was of course a characteristic which had its drawbacks as well as its advantages, but the established method, the known pattern, the old connection which was to a large extent the cause of British success, were very difficult to replace under the new conditions of competition in the modern world.

The war, with its long interruption of normal business has destroyed much of what we may call "goodwill" so far as British industry is concerned. Other nations have slipped into markets we formerly enjoyed, and if the

position is to be won back it must be in the teeth of fierce competition from other countries as efficient as ourselves. On the new plane of competition the Englishman no longer has to the same extent the advantage he formerly derived from established connections. He has to fight for his own hand in conditions of international competition, where the determining factor is not merely the cheapest production, but rather the continuous capacity for the provision of cheap substitutes for goods which are being displaced. The real difficulties I have pointed out are not to be met by the cheap taunts of Free Traders against the want of enterprise shown by British business men and manufacturers. We found little or no justification for that in the detailed inquiries of the Tariff Commission. We are without means of determining accurately the extent of production, and the relation between the home and the export trades. The Census of Production of 1907 is not of much assistance in that respect. We know, however, from the application of different criteria, that the export trade is more important in relation to British enterprise than is the case with any other of the great manufacturing nations. This fact is obvious from the inspection of the figures relating to our population, the scale of production in such great industries as iron and steel, engineering, cotton and other textiles, and our exports of manufactures. There is sometimes a tendency in this country to underrate the extent of the home market which after all would employ two-thirds of our population, but it remains true that this country cannot maintain its position unless its export trade regains its former position and maintains its predominance.

Moreover, although a comparison of the export trade of England and other countries is not by any means the final test of their relative power, there can be no doubt, that if there is a steady movement showing a continual increase in the capacity of foreign nations to export

manufactures to markets where we were formerly predominant, while our figures show no similar increase, the industries of those countries are progressing more rapidly than ours.

Let us take then the course of some of these export figures over a period of years, for instance, the figures of the United Kingdom, Germany and the United States for 20 years from 1883–87 to 1903–07, from the later period to the outbreak of the war and the present position. The British figures certainly showed a considerable advance, for the export of manufactures from that country rose from £196 millions in 1883–87 to £276 millions in 1903–07, an increase of 41 per cent. in 20 years. Germany in the same period increased from £96 millions to £194 millions or 102 per cent. The United States from £32 to £126 millions or 294 per cent. The decline, therefore, during this period, in the relative power of Great Britain was exceedingly marked. Now let us take the next period up to the outbreak of the war. Between 1903–07 and 1913, these differences of increase became even more accentuated. The United Kingdom exports rose from £276 to £413 millions, an increase of 49 per cent, Germany's exports of manufactures increased from £194 to £339 millions, an increase of 75 per cent., whilst the United States increased her exports of manufactures from £126 millions to £245 millions, an increase of 96 per cent., that is to say the United States practically doubled her exports of manufactures during the period of six years.

Of course normal considerations do not apply to the war period. All that I am interested in bringing out is, that up to the outbreak of war the relative decline of Great Britain had become marked, and the tendency was apparently continuous. In estimating the present position we have to take the year 1913 as the base year from which we can measure, and the general position is best shown by the following table where it is seen that five years after

the war we are still a long way below the level of our trade in 1913, our exports for the year 1923 being only 74·5 per cent. of the volume of that of 1913.

PERCENTAGE OF 1913 TRADE.
(1913 = 100).

1923	*Imports*	*Exports*	*Re-Exports*
January—March	95·3	74·4	84·2
April—June	94·8	77·6	87·1
July—September	88·8	68·7	69·7
October—December	92·8	77·5	82·2
Whole Year			
1923	93·0	74·5	81·3
1922	85·8	68·9	81·5
1921	74·3	49·8	78·6
1920	88·4	70·9	90·3

There are certain points about these figures which should be observed. It must be remembered that the industrial supremacy of the United Kingdom had not been seriously challenged for generations. It was in undisputed control of all the great markets of the world and other countries had to make what progress they could in the teeth of British competition. Secondly, the figures of all great manufacturing countries now are of a comparable order of magnitude. Thirty years ago the respective exports of manufactures of Great Britain, Germany, and the United States were £196, £96, and £32 millions; that is, the difference between these countries were so great that British manufacturers might have been pardoned for viewing the efforts of these new countries with patronising indulgence. But now the figures of all the great countries are comparable, and taking their export increase in conjunction with the extent of their home market, we may be pretty certain that there is not much to choose between the industrial efficiency of the countries which are being compared. The manner in which the total is made up should also be observed. Cotton plays a disproportionate part in the British figures, and the conditions governing

that industry have to be carefully examined before we can come to a final judgment on the significance of the British case. It must further be kept in mind that the progress of foreign countries has been made under a policy diametrically opposite to that of Great Britain. These countries have had the British example before their eyes. In Germany, in particular, British Free Trade economics had a great influence a few generations ago. Yet with all this scientific case for Free Trade in their minds and with the actual experience of the United Kingdom before them, and after the most careful inquiry into British trade conditions, the policy of England was not merely not imitated, but deliberately rejected. This is the more remarkable because in every other field of public activity, British models have had great influence abroad; but in this field of economic policy which is represented by the Free Traders to be peculiarly English and exceptionally well founded in experience, these great nations, setting out for the commercial conquest of the world, and determined if possible to wrest supremacy from British hands, refused to follow in any particular the tariff policy of the United Kingdom. In these circumstances it is not possible for English writers to contend that the foreign progress has been made in spite of the measures which these foreign countries have adopted with a view to that progress. There might be a little more force in this view if it could be shown that up to the adoption of free importation Great Britain had been behind, with stagnant industries and a backward organisation; but in fact, as everyone knows, the undisputed pre-eminence of Great Britain was established in spite of the competition and the apparently secure position of other countries under a rigorous policy of protection, and surely the retention of that pre-eminence ought not to be found more difficult than to obtain it. In view of the facts some people argue that policy is of no importance one way or

another, that it is really a question of inventions, enterprise, technical education and the like. But it is the tariffs of foreign countries which differentiate one period from another in their history, and differentiates their policy from that of the United Kingdom.

CHAPTER IX

THE POSITION OF THE GREAT INDUSTRIES

THE Tariff Commission analysed the position very completely as it was before the war, and taking the principal groups of industries and comparing our trade with that of the leading exporting countries in the world showed that in regard to foreign protected markets and neutral markets the position of Great Britain had become relatively much weaker, and that our Empire trade, which was based upon the preferences given by the various Dominions, had been of great value in enabling us to maintain our position. The tendencies then observed have continued in the post-war period, in many cases with a greater acceleration. It is this apparent permanence in the operation of forces inimical to British interests which is most disquieting in the present situation. It appears to indicate that we cannot trust to any natural power of revival from the present position and that a perfectly definite policy, directed to this end, is necessary.

Iron and steel is a real " key " industry, a fundamental industry in matters of defence, as was frequently pointed out before the outbreak of the Great War. It is best therefore to begin by considering where we stand with regard to iron and steel in comparison with other countries.

I have already alluded to the manner in which the Iron and Steel Report of the Tariff Commission was received in 1904, when it was shown that the United Kingdom had fallen to the second place in production, the United States coming first, and Germany third. This was a fact of great historic significance. Whether it was likely to have the disastrous economic consequences anticipated or not,

it marks an epoch in English economic history. Critics of the report scoffed at the importance attached to the figures and contended that they showed only a temporary fluctuation and that England would quickly recover her old position. But in spite of the increase in production which has taken place since that time, and the great improvements in production and in the organisation of the iron and steel works, the relative position of the United Kingdom continued to decline.

The following tables show the annual estimate of the output of pig-iron and steel ingots and castings in the chief producing countries of the world. The totals for 1923 may be subject to revision later on, when more complete information becomes available in the different countries. The respective totals are as follows :—

PIG-IRON.
Tons (000's omitted).

	1913	1921	1922	1923
Great Britain	10,260	2,616	4,902	7,438
United States	30,653	16,506	26,851	40,045
France	5,126	3,308	5,147	5,000
Belgium	2,428	862	1,578	2,118
Luxembourg	——	955	1,650	1,350
Germany	19,000	6,096	8,000	4,000
Czecho-Slovakia	——	532	339	590
Poland	——	640	458	492
Japan.....	56	200	300	300
Total (including other countries)	77,182	34,700	51,938	64,580

STEEL INGOTS & CASTINGS.
Tons (000's omitted).

	1913	1921	1922	1923
Great Britain	7,664	3,703	5,881	8,488
United States	31,301	19,744	35,603	43,248
France	4,614	3,010	4,464	4,750
Belgium	2,428	780	1,539	2,185
Luxembourg	——	747	1,368	1,117
Germany	18,631	8,700	9,000	5,000
Czecho-Slovakia	——	904	630	738
Poland	——	1,476	930	935
Japan.....	13	558	500	500
Total (including other countries)	75,019	42,487	63,098	72,573

Pig iron is recovering less rapidly than steel from the depression of 1921. The world's pig-iron output for 1923 was only 84 per cent. of the pre-war figure, whereas that of steel ingots and castings rose to 97 per cent., and would have surpassed the 1913 total but for the very significant decline in Germany's contribution, caused by dislocation of the economic life of the Ruhr. Much more than half the world's pig-iron and steel is now made in the United States, and, for the most part, goes to satisfy the demand for new construction arising out of the rapid development of American resources. Great Britain produced, in 1923, only 71 per cent. as much pig-iron as in 1913, but in the case of steel, the proportion was as high as 110 per cent.

It should be pointed out that whereas 1913 has remained a " record " year in the British pig-iron industry, the 1913 steel total was regularly exceeded every year from 1914 to 1920, and the 1923 total is still near one and a quarter million tons below the war-time " peak " of 9,717,000 tons in 1917. As our existing plant is capable of producing something like 50 per cent. more than before the war, there is evidently much room for improvement.

The effect of the Ruhr occupation is seen in the drop in Germany's output to about half its 1922 level. Belgian production is recovering rapidly from the effects of the German occupation and has nearly reached its pre-war magnitude. France's output remains, as in 1922, close to its 1913 level, the check to production in the earlier months of 1923 being compensated for by increased activity based on more satisfactory fuel supplies in the later months of the year. The iron and steel resources of France are, of course, much greater to-day than in 1913.

Just before the war there were 337 furnaces in blast in the United Kingdom. In 1920, there were 270, at the end of March, 1921, 111. The average for 1923 was 200 out of a total of 480 ; the number fell to 190 at the end of January,

1924, and rose to 202 by the end of February, dropping to 194 in March.

The following tables show the growth of production of pig-iron and steel in the United Kingdom and the United States respectively during the last fifty years :—

(1) PIG-IRON.

Average Monthly Production.

	1870 tons	1913 tons	1923 tons
United Kingdom	497,000	869,000	619,900
United States	139,000	2,601,000	3,338,000

(2) STEEL.

Average Monthly Production.

	1870 tons	1913 tons	1923 tons
United Kingdom	80,000	649,000	708,000
United States	5,730	2,564,000	3,604,000

If we turn to exports of iron and steel manufactures from Great Britain, we find that in 1913 the figures were 4,969,224 tons ; in 1921, 1,696,889 tons ; in 1922, 3,397,185 tons ; and in 1923, 4,319,571. In spite of all the efforts that have been made we have not yet returned to the figure of 1913, and that figure of 1913 shows a relative decline on previous years, due to apparently permanent causes, and this, notwithstanding the greatly increased facilities and the greater technical skill of recent years. We cannot give the figures for foreign countries in quantities, but taking the values and estimating their significance in conjunction with 1913 price levels, we can say that the United States, France and Belgium have recovered their pre-war level.

The figures relating to machinery brought out points of the greatest importance in regard to the industrial position of the United Kingdom. Connected by a necessary gradation from the iron and steel industry, the machinery industry of the United Kingdom held the field from the dawn of modern enterprise. The importance of this lies to a large extent in the marketing of the products of other industries because the country which supplies the world with

machinery determines the nature of the goods which are made, the organisation of the business, and even to a large extent the desires of the consumers. The position of the United Kingdom was absolutely unchallenged until a couple of generations ago. Since 1895 in particular, the progress of competing countries has been remarkably rapid. In that year the total exports of machinery from Great Britain were £15,151,000, or £6 millions more than those of Germany and the United States combined. By 1913, the combined exports of Germany and the United States were valued at £75,000,000, or double the value of British exports of machinery in that year. Germany exported machinery to the value of £39 millions, the United States came next with £37½ millions, with the United Kingdom close at her heels with £37 millions, so that in a short period of thirty years Britain fell from what seemed her almost unchallengeable position of leader to third place. When we look at the course of our trade with protected markets, the contrast between the experience of the United Kingdom and that of Germany is very remarkable, for in the period 1895–1913, while the exports of the United Kingdom increased to the principal protected markets, from nearly £8 millions to a little over £13 millions, or by a little more than £5 millions, the exports of Germany increased by over £14 millions; that is, the mere increase in the German exports to the principal protected markets during an interval of 17 years was equal to the total export of the United Kingdom to these countries. The figures would be more consoling if there were any compensating growth in our trade with the markets of the British Empire. There has been an increase of £9 millions, which compares, indeed, very favourably with the figures relating to the protected markets, but here again Germany and the United States are rapidly overhauling the United Kingdom, and in regard to Canada in particular the United States is supreme. The increase of our trade with neutral markets has been by far

the most satisfactory, the increase having been continuous and reaching altogether £8¼ millions, or 384 per cent. But through all the machinery figures the conclusion is forced upon our minds that just as the position of England has deteriorated in regard to iron and steel, so it is with regard to these related products. Taking the combined figures of these two industries it seems pretty clear that unless England can bring in a new world to redress the balance of the old, and secure a great and increasing trade in British oversea possessions for her iron and steel and machinery, the commercial supremacy which fundamentally depends upon these industries will be gone for ever.

Such was the position in 1913, the total export of machinery being in that year 689,389 tons. Since the war there are no great indications of recovery. On the contrary, in 1921 the export was 506,293 tons; In 1922 401,437 tons; and in 1923, 432,578 tons. We certainly cannot speak of revival until we at least regain the position of 1913.

While this has been the course of British trade, we find on the contrary that the United States export of machinery has increased from $128 millions in 1913 to $288 millions in 1923. I cannot give the actual measurement in tons, but allowing for the change in price levels these figures show a large increase over the 1913 figure.

The cotton trade furnishes nearly one-third of our total exports of manufactured goods and is from that point of view of quite exceptional importance in the economy of the country. It has, however, lost the predominance it once had in the markets of the world. Taking the United Kingdom, the Continent, and the United States, the following table shows how the position has been reversed in the last forty-five years, with regard to the consumption of cotton.

The Consumption of Raw Cotton

The percentage share of the amount of raw cotton consumed by the United Kingdom, United States and the rest of Europe, over a considerable number of years has been as follows:—

	United Kingdom	*Continent*	*United States*	*Total*
1876–80	42.25	34.50	23.25	100.0
1881–85	39.9	36.4	23.7	100.0
1886–90	37.4	38.0	24.6	100.0
1891–95	33.3	40.2	26.5	00.0
1896–1900	30.6	40.8	28.6	100.0
1901–1905	26.8	41.0	32.2	100.0
1906–1910	26.2	40.3	33.5	100.0
1912	26.6	39.9	33.5	100.0
1922–23	22.1	32.3	45.6	100.0

The same position comes out if we consider the number of spindles. Just before the war, the United Kingdom had about 55 million spindles out of a total of 139 million in the world, and now has 56½ million spindles out of a total of 155. The striking feature of the figures is the growth of the cotton industry outside the United Kingdom. The United Kingdom consumption of raw cotton remained fairly stationary, with slight fluctuations, from 1876–1880 up to 1904. After that there was a considerable increase, and the consumption rose to 18.7 million cwts. in 1912. It then showed a marked decline. In 1913, it was only 10 million cwts. After the war, in 1922, it was 7 million cwts.; in 1923, only 6½ million cwts. Meanwhile, the figures of non-British countries up to the outbreak of war showed a much more rapid increase than the United Kingdom, and since the termination of the war, these countries have gone rapidly ahead, particularly the United States, which has added to her industry an increase as large as the total cotton industry of some important countries.

The great progress in the comparative position of other non-British countries is shown in the following table giving the number of spindles in 1912 and 1922. It must be

remembered that all those countries are bent on developing their own industries to meet their own national consumption by a national tariff and other methods, and from the fact that they all have, potentially at any rate, a considerable home market, their rapid growth means that in a very short period they will be on terms of equal competition with Great Britain in many markets where we have hitherto had the predominance.

	1912 Spindles	1922 Spindles
United Kingdom	55,165,000	56,600,000
United States	29,523,000	36,943,000
Russia	10,599,000	7,100,000
Poland	—	1,200,200
Czecho-Slovakia	—	3,550,000
Germany	8,800,000	9,500,000
Italy	4,622,000	4,560,000
Netherlands	454,000	635,000
Sweden	530,000	575,900
Portugal	480,000	488,000
Finland	—	239,000
Switzerland	1,407,000	1,519,000
France	7,400,000	9,600,000
Japan	2,177,000	4,646,000
China	932,500	2,250,000
India	6,300,000	6,871,000
Canada	855,000	1,052,000
Total Spindles (all countries)	139,313,000	154,555,300

The present total of the spindles of all kinds in the world is estimated to be 157,477,000. Great Britain's share of this huge aggregate is 56,724,000.

As to sources of supply of raw cotton, the United States produced about 75 per cent. before the war, showing a rapid increase. The British Empire sources were only a small percentage of the whole, and that progressing slowly. Since the war, however, increased attention has been given to British sources of supply, and it is hoped that much will be done to redress the adverse balance.

The cotton trade is, as I have said, mainly an export trade. On calculations formerly made, the proportions

between the home and export trade showed considerable variations—from 12 per cent. to 20 per cent. home trade and the rest export. The proportions probably remain much about the same.

The course of the export trade since the war, compared with that for 1913, is given in quantities in the following table :—

UNITED KINGDOM EXPORTS OF COTTON.

	1913	1921	1922	1923
Cotton Yarn (1,000lbs.)	210,099	145,894	201,953	145,019
Cotton Piece Goods :—				
Unbleached (1,000yds.)	2,357,494	955,666	1,521,652	1,301,631
Bleached .. „	2,045,252	937,031	1,313,488	1,276,794
Printed (flags, handkerchiefs, etc.) ..... „	54,167	4,705	4,621	6,233
Printed (other sorts) .... „	1,176,587	429,207	537,133	626,536
Dyed in the piece..... „	1,151,376	441,279	656,120	729,252
Manufactures of Dyed Yarns „	290,378	114,400	150,714	200,857
Total Piece Goods,,	7,075,254	2,902,288	4,183,728	4,141,303
Cotton Thread (1,000lbs.)	20,730	15,028	17,561	17,932
Cotton Waste (manufactured) cwts.	988,731	115,169	114,047	155,975

It will be seen from this table that we are still a long way below the pre-war level. The United States, on the other hand, has enormously increased her exports, from $56 millions in 1913 to $138 millions in 1923. We can only get at the real movement which has taken place if we split up the export trade into two divisions, foreign countries and British possessions, and all we can say about the figures is that while we have a number of countries with which we did an enormous trade before the war, such as British India, China, Japan, Turkey, Dutch East Indies, Central and South America and Egypt, our trade with these countries

has shown a steady and continuous and rapid decrease since the termination of the war.

As regards all the other foreign countries, with the exception of the Argentine, the figures show such enormous fluctuations that normal conditions seem to have entirely disappeared. The figures form no basis for a generalisation as to what is happening in regard to the trade of those countries. The figures show that 1920 was entirely an abnormal year, the swollen figures being largely due to the abnormal post-war demand before countries settled down to work.

The full detailed table of the export of cotton piece goods is too complicated for reproduction in these pages. In 1913, the total export to all markets of cotton piece goods was 7,075,252,000 yards. The figures subsequent to the war are expressed in terms of square yards, instead of linear yards, but the square yard measure in terms of linear yards may be understood to be rather less. In 1921 the export was 2,902,288,900 square yards, in 1922, 4,183,729,000 square yards, and in 1922, 4,141,303,700 square yards. The fluctuations are most remarkable with regard to the trade with the Continent of Europe since the war. For instance, the trade with Switzerland jumped from 46,236,300 square yards in 1921, to 193,594,300 square yards in 1922, and then fell to 117,834,000 square yards in 1923, against 79,950,800 square yards in 1913.

Our trade with Sweden, Norway, and Denmark is up to pre-war level. The export to Germany was in 1921, 21,400,100 square yards; 114,269,000 square yards in 1922; and 22,997,900 square yards in 1923, against 76,371,700 in 1913. The trade with all the Continental countries was 414,062,200 yards in 1913 and 413,188,900 square yards in 1923, so that, contrary to the general view, the trade in cotton piece goods with European markets is practically at pre-war level in spite of all the fluctuations which have taken place. These fluctuations,

however, show what a gambling affair the whole thing is and the figures could not be used at present to show what the general tendencies of our trade with Europe are. For that purpose we have to fall back on pre-war figures. Before the war the United States was not a very large customer for piece goods. In 1921 the figure was 54,731,600 square yards; in 1922, 95,384,000 square yards; and in 1923, 174,922,200 square yards. With Egypt the trade is practically up to pre-war level, with British Africa it is about two-thirds of its pre-war level.

The great reductions in trade are with Turkey, China, Japan, Central and South America, Dutch East Indies, and British India. These reductions are found in the following table, the most important of all appearing to be British India, which seems to be the key of the situation.

1913 *Yards*	1921 *Sq. Yds.*	1922 *Sq. Yds.*	1923 *Sq. Yds.*
Turkey			
360,741,700	56,444,400	67,342,500	85,315,800
China,			
716,532,500	211,063,100	308,992,000	234,710,200
Japan			
50,187,300	13,406,800	21,024,600	16,307,600
Central & South America			
674,400,000	193,706,800	310,708,000	426,442,800
Dutch East Indies			
304,927,700	159,226,800	137,253,000	136,290,300
British India			
3,057,350,600	1,092,067,700	1,401,142,300	1,411,699,600

As the trade in piece goods with India and the Far East alone in 1913 was about ten times the trade with the whole of the Continent of Europe, it is perfectly clear from these figures that unless that trade can be recovered, the position of the cotton industry in Lancashire is extremely grave. Small as the European trade is, in comparison with that of the Far East, it must always be remembered that European countries are manufacturing for themselves.

In the woollen trade the tendencies before the war were those with which we have become familiar in other industries, loss of control of the home market, actual decrease of trade with protected countries, and a large increase of trade with the British Empire. The character of the export trade since the war compared with 1913 is given in the following table from which it is seen that we are not yet up to pre-war level, though in other respects the export figures of woollens and worsteds compare favourably with other trades. It appears to be chiefly the home market where competition is most severely felt.

UNITED KINGDOM EXPORTS OF WOOLLENS & WORSTEDS.

		1913	1921	1922	1923
Wool Tops	(centals)	436,331	348,998	416,035	389,267
Woollen Yarn	(1,000lbs.)	4,809	5,993	9,702	9,218
Worsted Yarn	,,	49,907	23,464	42,913	34,922
Alpaca & Mohair yarn	,,	17,222	4,092	6,788	9,587
Total Yarns	,,	71,938	33,549	59,413	53,727
Woollen Tissues	(1,000yds.)	105,833	76,556	121,590	148,641
Worsted Tissues	,,	64,490	40,814	62,338	62,948
Travelling Rugs & Wrappers	(sq. yds.)	2,032,500	598,200	843,300	942,700
Carpets & Rugs	,,	8,603,300	4,865,000	5,814,300	7,058,100

As far as countries are concerned the trade with the Scandinavian countries is again above pre-war level; the trade with Germany is one-tenth now of what it was before the war; Netherlands is fairly stationary; Belgium an increase; France a great decrease; and Italy a considerable increase.

Of other textile trades, silk shows the greatest fall from the pre-war standard. The following table showing the exports of other textiles speaks for itself. The trade seems to have gone to pieces altogether.

UNITED KINGDOM EXPORTS OF SILK, LINEN & JUTE.

		1913	1921	1922	1923
Spun Silk Yarn	lbs.	1,170,449	234,567	258,898	316,457
Silk Piece Goods	sq.yds.	4,189,222	1,487,666	2,926,371	2,740,543
Piece Goods of Silk mixed with other materials	,,	7,652,112	1,736,563	2,215,469	2,261,099
Cordage, Rope, etc. (of hemp, etc.)	cwts.	479,735	265,606	278,730	399,875
Flax & Hemp Yarns	tons	7,280	2,007	3,342	3,375
Linen Piece Goods	1,000yds.	193,681	39,962	77,435	89,672
Linen Thread	cwts.	23,627	13,386	19,745	23,041
Jute Yarn	1,000lbs.	41,766	27,885	36,863	35,664
Jute Piece Goods	1,000yds.	173,484	71,599	137,126	157,371
Jute Sacks & Bags	dozen	4,543,123	2,152,674	2,561,026	2,182,519

In 1913 exports of iron and steel manufactures, machinery, textiles, and clothing, amounted in value to £277,750,000 or 70 per cent. of our total exports of manufactures which were valued at £413,820,000.

In 1923 these exports amounted to £412,855,000 or 71 per cent. of the total exports.

Of the groups of exports which comprise the remaining 30 per cent. of our exports, that connecting with the engineering industry and embraced under the general heading of "Vehicles" is the most important. Exports under this heading amounted to £24,508,000 in 1913 and £27,780,000 in 1923.

Next in importance come the chemical group, earthenware and glassware, non-ferrous metal manufactures, and paper and leather manufactures. The value of exports of these five groups was £47,953,000 in 1913 and £67,068,000 in 1923.

CHAPTER X

SOME FACTORS IN THE SITUATION

THE figures given above are too remarkable to be explained by causes which lie upon the surface. The changes extend over a long period of time and are more or less in the same direction. The truth seems to be that the comparative decay of Great Britain had set in long before Mr. Chamberlain launched his campaign. As the tables show, this went on practically unchecked until the outbreak of the war. The war suspended the operation of all normal forces, and now that the world is again settling down these causes are once more operative, but so far as they affect Great Britain, in conditions more unfavourable than they were before the war to a successful solution of the problems they involve.

Taking the more permanent factors first, we can see that the great change that has come over industrial conditions in the world, and in particular the vast progress which has been made by the United States—a progress in which apparently the Far East is now going to take part—and the rapid recovery of France and Belgium, are evidently indicative of one of those great historic world movements which mark off period from period. Only the most superficial persons could suppose that the great mechanical changes which took place in England could be confined to this country, and that we should remain in permanent and sole possession of the new methods of production. A brief examination of the facts of history would have afforded convincing proof that nothing would be likely to stop the extension to the rest of the world of the new discoveries. The change in industrial organisation and means of production has extended with extraordinary

rapidity during the last forty years, and wherever new industries were established, whether in old countries on the Continent of Europe, or in the Far East like Japan, they were at once equipped with every modern appliance; and however backward the social organisation, however primitive the form of society, each country as it came under the influence of this new-found industrial power, was forced as it were into the frame of the capitalistic form of production. In these circumstances, which might without the gift of prophecy have been anticipated, it was impossible that Great Britain should retain her position of monopoly, nor was it even possible that she could retain supremacy in the sense in which the word used to be understood in British industry. Foreign nations are certainly not less intelligent than the English from the industrial point of view. Some of them in times past have shown themselves gifted with greater powers than the English. There is scarcely an industry in England which does not owe its inception to immigrants from other countries. In the broad characteristics of intelligence, organising power, aptitude for industrial processes, there is no reason whatever for supposing that the inhabitants of these islands are exceptionally endowed. The abnormal feature of our historic development was the " concurrence of circumstances " which made England the original home of modern methods of production. We have now reached the condition in which nation against nation in the West, East against West the world over, have to realise that it is not merely by the mechanical processes themselves that the greatness of a community can be established, but by the use of a higher social intelligence which will enable any particular community at no higher grade of development than the others to get the best result from the combination of the different forces at its command.

Therefore we may take it for granted that British industrial supremacy as viewed by the old Free Traders was a

mere exceptional episode in the world's history, and that by no policy whatever could the comparative growth of other countries have been stopped, and that by no policy we can now invent can we restore the old relations between the United Kingdom and its competitors. There are special factors which apply to the development of Great Britain more than they do to other countries. Along with the advent of new methods of production came the introduction of an individualistic system over the whole economic field, and it is in this direction that we have one of the greatest contrasts between Great Britain and her competitors, and one of the main causes of our weakness at the present time. It is not that particular departments of national life are not in themselves as well or even better organised in England than they are in foreign countries. If we take typical works or mills in any of the leading groups of industry which I have reviewed, there is probably no country which would not admit that it could learn much from English methods of organisation. If we take British commercial methods which are so freely criticised at the present time, there again it must be admitted that there are certain sterling good qualities associated with British methods which some foreign nations would do well to acquire. So again we might engage in endless controversy on the merits and demerits of British and foreign transport methods respectively, as illustrated in the railways of England, France, Germany and the United States. In the domain of technical training, every country has something to learn from England, and we have much to learn from almost every country. But while in these individual comparisons of particular lines of activity, Englishmen may find any number of instances to flatter their insular pride, there is one broad contrast which comes out clearly in a review of present circumstances and that is that however excellent a particular instance may be, we have not at the present time in the same degree that

combination of various lines of activity which goes to make a national policy. Some of our works may be better organised, as separate entities, than the German works; our railways may in some respect be more efficient; our employers may in some respects show greater gifts of enterprise; our workmen may be better paid; but in Germany they have to a large extent succeeded in interlacing industry and industry, and binding all up in a great German national policy. What impresses us in reviewing the facts is the close connection between the difficulties from which British trade suffers and the State policy of competing foreign countries. Take for example the phenomenon called dumping. In my experience I have come across manufacturer after manufacturer who denied that dumping was ever practised in English trade. What they mean is this: they would not deny that British exporters have different prices for different markets, and that they often sell in foreign markets at prices lower than in England. It is very common if a manufacturer wishes to get a foothold in another market to make a temporary sacrifice in this way; or again, if he has to get into a foreign market which is protected by a high tariff he will make a sacrifice hoping to recoup himself with the higher price he can charge at home or elsewhere, but he would not admit that this was dumping; that is just ordinary trade. By dumping he understands the systematic preservation of continuity of production and largeness of output by the sale of surplus produce below cost, whatever is obtained from the dumped surplus being a pure addition to profit. This process cannot be carried out successfully unless there is a national tariff to secure the home market, coupled with transport facilities to promote export. In Great Britain no security is provided by means of a tariff for the home market. Employers may, and often do, combine, but there is little or no combination between them and the transport agencies. On the contrary, there

is often war to the knife, both between the manufacturers and transport agencies, between the different grades of manufacturers, and between the manufacturers and the merchants; so that British industry cannot in fact possess that security which is a necessary condition of successful dumping in the continental acceptation of the term. To what extent dumping really prevails it is difficult to say. The administration of the Safeguarding of Industries Act seems to indicate that in the view of the Board of Trade expert committees, dumping scarcely exists. On the other hand, if one goes about amongst business men and traders, one would suppose it was the main phenomenon of economic life at the present time. It is clearly only possible in the case of goods more or less uniform in character and design, and capable of indefinite expansion by machine production. Specialties cannot be dumped, but in the lower grades of iron and steel production, where there are standard patterns of countless articles of consumption, dumping is not only possible but is generally practised, and it is this capacity enjoyed by foreign countries to disturb the conditions of security under which British trade is carried on which is now one of the main causes of the relative retrogression of England in recent years. It does not require a large quantity of goods to disturb the market. Very small consignments at dumping prices will reduce a whole market to a state of disorganisation, and it must be remembered that as a rule this process is not practised except at times of depression, that is, just when the British manufacturer requires the greatest security he is at the greatest risk of attack. Hence an indisposition arises to embark upon schemes of reconstruction and reorganisation, to put in new plant, and to take great risks; and a year or two passed without this scrapping of old methods and of throwing old machines on the rubbish heap is often enough to give a permanent advantage in industry to the foreign competitor.

CHAPTER XI

AGRICULTURE, THE HOME MARKET, AND THE EXPORT TRADE

BUT almost first among the causes of the comparative decline of Great Britain I put the systematic neglect of agriculture.

The encouragement of agriculture was, until the Free Trade era, the central feature of the national policy described in former chapters. The population of England at the end of the seventeenth century was from five to five and half millions. At that time the whole population was supported by home grown corn and a little was exported. In the period 1831–35 the population had increased to 24 millions and 96 per cent. of that population was still fed on home grown supplies. This enormous increase in the yield of English land had taken place in the interval and had been accompanied with progress without parallel up to that time in the world's history in industry, commerce, shipping, naval and military power, and in every branch of the economic activities of the country. Moreover under that policy England had passed through several great wars —the war with the Dutch, the war of the Spanish succession, the war of the Austrian succession, the war with America, and finally the great struggle with France from 1793 to 1815, which cost the country nearly £900,000,000. The system had stood the test of revolution. During the great Civil War the economic policy of the country continued unchanged. In the revolution of 1688 the whole constitution of political parties altered but society remained stable and the economic development of the country went on. While foreign countries were seeing the overturn of their

constitutions and passing through almost every phase of revolution, British institutions became more firmly established and the national consciousness became more and more definite. During the last part of the eighteenth century it is true prices went up to a famine level; so they did all over the world however. It was a phenomenon not peculiar to England and had no relation to the Corn Laws which were in operation; as a matter of fact during the period of highest prices the Corn Laws were suspended and free importation prevailed. When the character of the seasons altered and supply outstripped demand, though the Corn Laws were made more stringent, prices came tumbling down, and in the period 1831–35 the price of wheat in England, notwithstanding the Corn Laws, was lower than it ever reached for forty years.

There are three other features of the period to which Free Traders, with characteristic inaccuracy, never allude when dealing with what they are pleased to call the "hungry forties." Firstly, the development of this agrarian policy was accompanied by the removal of almost all internal barriers upon the corn trade, great improvement of the means of communication, and by the consolidation of the United Kingdom; secondly, under this policy Ireland reached a higher point of prosperity and had a larger population than at any period in its history—the reversal of the policy has been followed by the gradual degradation of Ireland and the emigration of its people; thirdly, this policy of England was accompanied by a preferential system particularly valued by Canada, commended by Mr. Gladstone as the source of the increase of productivity in Canada, and abolished in the teeth of opposition from the Colonies merely to give logical consistency to the system which took its place. Had the preference which then existed been steadily maintained, it is not improbable that as the demand for corn and other agricultural products increased in this country it would

have been Canada which would have been developed rather than the United States of America.

Now let us see what has been the course of British agriculture under the policy of free importation.

In the last fifty years nearly one-fourth of the corn area of the United Kingdom has passed out of cultivation. The wheat area has diminished from 3,740,000 acres to 1,840,000 acres, that is, the land which has passed out of wheat cultivation is greater than the total present wheat area of the United Kingdom.

The cultivation of barley has diminished in every part of the United Kingdom, and this is so with every branch of corn cultivation with the single exception of oats.

Turning to the amount of corn produced the figures tell the same story. In spite of the great increase in the yield per acre the total production of wheat has fallen in the last fifty years from 94 million bushels to 56 million bushels last year and a post-war average of about 63 million bushels per annum. Barley has fallen from 83 million bushels to less than 60 million bushels. Oats alone increased, from 164 to 179 million bushels.

The same course is shown if we consider green crops. The area under cultivation has steadily and continuously declined.

Pasture however shows an increase which in the case of Great Britain amounts to about 30 per cent.

Hops, which was a most important and remunerative crop, has diminished to less than one half of its former area.

As to live stock, the official figures show an increase of $1\frac{1}{4}$ million head of cattle. Sheep, on the other hand, declined by over 8 million head. The number of pigs has only slightly increased.

The production of British beef and veal has declined by 7 per cent.; mutton and lamb by 45 per cent. The supply

of pig meat has declined by 20 per cent. as compared with the figure of fifty years ago. The actual figures are :—

	Beef & Veal tons	Mutton tons	Pig Meat tons
1871–75 (annual average)	584,000	332,000	277,000
1923	548,000	185,000	221,000

While this decline has taken place in home production under a policy which was stated at the time not to threaten agriculture in any way, and has been accompanied by a decline in agricultural values. there has been a steady and rapid growth in agricultural imports until in 1923 the increase since 1875 reached the colossal figure of more than 270 millions.

In 1923 the amount paid for imported foodstuffs was nearly £500,000,000.

Imports of grain and flour cost £96,898,000 ; of this total, wheat accounted for £53,797,000, which was distributed as follows :—United States, £17,078,000 ; Argentine, £11,005,000 ; Canada, £15,200,000 ; Australia, £2,597,000 ; and British India, £6,739,000.

Imports of butter were valued at £44,350,000, to which another £6,500,000 must be added for margarine ; Denmark received £16,833,000 ; Argentine, £3,949,000 ; Australia, £4,508,000, and Canada, £10,206,000.

Imported cheese cost £15,270,000. New Zealand took £7,508,000 ; Holland, £1,075,000 ; and the remainder coming chiefly from other foreign countries.

Imports of meat, including animals for food were valued at £125,750,000. Beef accounted for £32,064,000. The bulk of this amount, namely £21,500,000, went to the Argentine. Australia and New Zealand shared £3,000,000 between them.

Mutton and lamb imports cost £23,163,000, which was distributed as follows :—Argentine, £5,893,000 ; New Zealand, £10,250,000 ; and Australia, £4,714,000.

The bill for bacon was £38,179,000. Denmark received £19,636,000, and the United States, £11,509,000.

Ham imports cost £8,388,072. The United States share was £7,744,000.

Pork cost £4,727,000, chiefly from the United States and Holland.

These figures show that the economic basis of British Imperial power has been completely changed under the policy of free importation and we have now reached a situation without parallel in the world's history. No great country has ever been organised on the basis of imported food supplies. If we take the great powers of the world at the present time there is not one which is even approaching the situation of Great Britain. It has been for ages an accepted view amongst all the great statesmen and writers of the world that a flourishing agriculture and rural population and a constant interaction between manufacturers and agriculture is the greatest security for a flourishing home market, and without a flourishing home market it is impossible under modern conditions to maintain for long a great power for exporting. We have to meet a bill of £500 millions a year for imported food supplies. The result of that is that we are forced into a dependence upon our export trade without parallel in the world's history. Something might be said for this if the Free Trade theory worked out correctly, and if our trade consisted in the exchange of the finished articles of manufacture for raw materials and food; but this Free Trade theory does not work. Under the policy we have followed we have permanently injured our home market, and at the same time left that home market, which ought to be secured for British manufacturers, open to every kind of attack from foreign countries, and the result is shown in the annual importation of something like £250 millions of manufactures which could easily be made at home. In these circumstances we are setting manufacturers and business men an impossible problem. We violate all canons of statesmanship in the first place by ruining our agriculture; this must involve in the long run a great diminution in the efficiency of our artisans employed in manufacture, for it is a well

known fact that town conditions, however healthy, are inimical to the maintenance of permanent efficiency. We then tell manufacturers that they are to buy the food we require by exporting their goods to foreign markets, and at the same time we take from them the only means by which they can penetrate the foreign markets under existing conditions with sufficient success. Something might be said for this system if we secured cheap and good food to the great masses of the people, if, that is, we could assume that all the countries of the world were competing with one another freely to send the foodstuffs we require. That is notoriously not the case. We have sacrificed one particular branch of home production, namely meat, simply in order to fill the pockets of the most unscrupulous combination of vested interests in America that has ever been seen in the world. Under free competition it is possible that our agriculturists might still pursue their callings profitably. They are not given a chance. Free Traders protest against a change of policy which, they say, will lead to trusts and at the same time we maintain a policy which has been the most favourable any country ever had for the building up of the trusts of foreign countries which supply us with our food.

Nothing is more commonly stated about the economic position of England than that its home market is relatively small compared with the home markets of foreign countries. The extent of the home market is determined not by the number of the population but by its character and its consuming power, and a country which can pay these stupendous bills for food, much of which they could produce with the greatest ease under a proper policy at home and so provide that inter-action between industry and agriculture which is one of the essentials of prosperity, has a home market which at any rate every other country in the world thinks it well worth while to exploit. Before the war Germany used to say that our system of free imports had

been the basis upon which German industrialism had been created. The United States apparently takes the view that we are an important factor in their economy. Denmark lives upon us; and so with other countries. I give these figures simply to show the appalling consequences not only to agriculture but to industry by the ridiculous system of purchasing everything we want from abroad which has grown up under the mistaken notions of Free Trade. Moreover we not only damage industry in that way but at the same time, on many of our food imports we charge duties (amounting to £650 millions in the last twenty years) which are arranged in such a manner that in no possible way can the British consumer escape their incidence. This enormous food bill which we have to meet every year can only be met by the exportation of manufactures and the performance of services rendered by our shipping and finance. The result is that British energies are forced more and more into the export trade, not as in other countries as a branch of activity comparatively small in proportion to the total trade the country carries on, but as an object in itself which it is a matter of life and death to the country to maintain.

Not only does the export trade play an unduly important part in the total economic activities of the country for sound progress, or even for the success of the export trade itself, but that trade has itself been developed on too few lines. The fact is our trades, generations ago, were much better balanced with a view to economic efficiency than they are at present. It is not really healthy, necessary as it may have proved to be, that the cotton trade should be responsible for so vast a proportion of our exports. Now that the cotton trade, as we have seen, is losing ground in those vitally important markets of the Far East, it is becoming more and more difficult to pay the huge bill we have to meet for imported food. The burden of meeting the bill by means of exports is, if we may put it that way, put upon too

few shoulders, and might easily lead to a serious crisis. The struggle to maintain the export trade, and those trades subject to competition in the home market—and that, it must be remembered, includes all our manufacturing industries—is producing a dangerous disparity in wages between the skilled artisans and those, even labourers, employed in transport or municipal industries which have the full protection of the State and their Trade Unions. If this movement continues it is likely to disrupt the Trade Union movement and bring about a most dangerous clash of interests between different classes of working men.

The replies to the forms issued by the Tariff Commission at the beginning of their inquiry showed that many firms described as manufacturers had ceased to be so. Although they kept the old name and description they said they had long ceased to manufacture but imported the goods they formerly made. This process has gone on with considerable acceleration since those times and the fact that many firms have put little British labour into the goods they have sent to the Dominions, has from time to time caused much difficulty in the administration of preferences, and special regulations have been adopted, particularly by Canada, to provide that goods coming to that country as nominally British should contain not less than 25 per cent. British labour. After the boom of 1920, there was a rapid increase in this change in the character of British industry, and under the exchange conditions which prevailed importation took the place of manufacture on a very large scale. An inquiry conducted since that date has shown that there is scarcely a branch of British industry which is unaffected by competing products from abroad. The Board of Trade returns, as published, have never shown the extent of this competition. The Tariff Commission, however, collected from the firms engaged in industry a vast amount of information under this head, and it was a revelation to those engaged in the inquiry that competition in the home

market had grown to such a great extent and covered such an extremely wide area. It would be impossible to print these lists of competing imports—that for engineering alone would fill many pages of this work. The margin between the import price and the price at which these foreign goods are sold to the British consumer is so great that large profits have been made by importing firms. The growth of wealth in the hands of this class has given an entirely false impression of the growth of the wealth of the community. As a matter of fact this class has increased its gains largely at the expense of the productive classes who cannot find employment, and to the price which is paid for these foreign articles we must add many items of public expenditure which have been made necessary to help the unemployed, in addition to the misery and deprivation which has affected vast numbers of the community. Where importation of the finished articles has not completely taken the place of those manufactured, another process has been a matter of ordinary observation by economists and statisticians for many years past. It has always been the object of economic statesmen to secure for a country its food and raw materials on the cheapest terms possible, and to promote its productive energies to the turning out of finished goods. The finished goods give more employment, and employment of a higher grade than half-finished manufactures. There has been a tendency for many years past to reverse this process in many industries. It is seen on a considerable scale in the Bradford district, where the turning out of tops and noils (almost the lowest form of manufacture in the West Riding industry), has in many factories displaced the production of finished woollen goods. As time goes on and generations grow up under the new conditions it becomes more and more difficult to revert to the former state of affairs. Another process seen in different branches of the engineering and smaller branches of the iron and steel trades, is the dependence, in

the conditions of competition which prevail with regard to the finished goods in the home market, on the dumping of cheap half-finished materials. For example:

Imports of blooms, billets, and slabs during the quarter January to March were as follows:—

	1922	1923 (In tons)	1924
From Germany	1,785	8,705	15,477
„ Belgium	11,751	54,189	83,645
„ France	6,910	31,946	44,832
„ Other Countries ..	9,885	9,636	23,936
Total	30,331	104,476	167,890

The quarterly average of imports from Belgium in 1913 was only 27,200 tons, and from France 1,321 tons.

Imports of blooms and billets formed one fourth of our total imports of iron and steel manufactures in 1913 and one third in the March quarter of the present year.

The imports of iron and steel bars, rods, etc., for the quarter January to March were:—

	1922	1923 (In tons)	1924
From Belgium	25,452	46,788	71,422
„ Other Countries ..	10,877	23,641	35,596
Total	36,329	70,429	107,018

The above items together with imports of pig-iron account for 70 per cent. of our imports of iron and steel manufactures.

The changes I have noted make the construction of proper remedies, as we shall see later on, extremely difficult. The truth is that there are now great vested interests which have grown up on the gradual deterioration in the character and structure of British industry. It has been a very common experience in the last few years to meet men in all grades of industry who have said: "Oh yes, we were Tariff Reformers once; we are not Tariff Reformers now because we import the goods we used to make." Economic

statesmanship requires that we should take a long view. The best remedies that could be devised could not operate within a very short period of time. It is perfectly clear that when the immediate interest of the people, as distinguished from the interest of the State, are in conflict, the interest of the State, under a system of democracy, will go to the wall. While these changes have been taking place in the structure of British industry a revolution in rural society has been almost completed under the system of taxation under which we live. I believe Mr. Lloyd George was always in favour of preserving the existence of that large middle class of people in the country who had comparatively small landed estates, lived on their properties and devoted themselves to the work of their districts as their ancestors had done for many generations before them. In fact, the system of direct taxation which has grown up in the last twenty years has almost eliminated this class, without getting at the pockets of the multi-millionaires who have thriven upon financing. This is one of the important factors in the decline of our countryside. It has meant the abstraction of this class from all the varied public work and business administration in which it was engaged, and the drying up of many of those sources of activity of which in older times the village was the centre. Coupled with the systematic discouragement of agriculture, to which I have already alluded, this potentially vast home market has been almost destroyed to the great disadvantage of British industry.

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CHAPTER XII

THE BURDEN OF TAXATION AND THE FOREIGN EXCHANGES

ANOTHER prominent factor that has to be taken into account in explaining the comparative decline of British industry is the pressure of taxation in this country which has steadily grown in its incidence upon industry for many years past. Free trade policy in this respect depends for its success upon normal conditions of competition, prosperity and peace. The moment difficulties arise causing great expenditure, relative to the national income, the limitation of our financial expedients to those permitted by the Free Trade theorists involves an increasing burden on the working classes by the imposition of real food taxes which everybody pays and the abstraction of capital from industry by undue insistence on direct taxation. Both these movements were very apparent even before the war and as I have earlier pointed out the direct taxes had grown to such an extent before the war as to enter into the cost of production and affect prices so that the fluctuations in direct taxes and prices corresponded very closely. It is most unfortunate that our fiscal system should not have been re-cast on a more equitable basis when Mr. Chamberlain entered upon his campaign. Nothing was done before the war except to emphasise characteristics of the Free Trade system fatal to industrial development. When the war broke out no steps of course could be taken, and the heavy expenditure had to be met by constant increases in the amount of taxation, under both these heads. The result is that during the last twenty years we have taken no less than £650 millions in food taxes from the pockets of the

people, at least £500 millions of which must have come directly from the working classes; £700 millions in death duties; and an indefinable number of millions in income tax and super tax above what may be called the level which the country can afford. The result before the war was that every manufacturer was under a heavy handicap in competing with his foreign rival, and since the termination of the war reconstruction has become almost impossible. We have got into the habit of thinking in such very large figures that all sense of perspective has been lost. Before the war the Budget was £200 millions or one-twelfth of the estimated national income. That was considered far too heavy a strain upon our resources for economic efficiency. No one can suppose that the income derived from productive enterprise has increased by any very large amount, yet the burden has increased from four to six times.

UNITED KINGDOM. ESTIMATES OF NATIONAL WEALTH

	Million £
1875	8,548
1885	10,037
1895	10,663
1905	13,036
1909	13,986
1913	15,000

The wealth of the United Kingdom in 1914 was estimated at £16,000,000,000 for a population of 46,000,000, or £347 per head of the population. Excepting by a certain amount of new plant in the workshops, factories, and shipyards, by re-valuation of pre-war assets, and by new houses and other buildings, the wealth of the nation has not increased, and re-valuation of assets, which show considerable increases in some balance-sheets, depends on selling prices, which in many important industries are still falling.

Taking increased population into account, it is doubtful whether the wealth per head of the population is equal to

the figure given for 1914. Sir Robert Horne's estimate (House of Commons, August 3, 1922) of a war loan amounting to £181 per head shows that the national wealth per individual is mortgaged by well over 50 per cent.

With the above estimates of the national wealth of the United Kingdom should be compared that of the United States. The Census Bureau of the United States has issued its preliminary announcement of the results of its inquiry into the national wealth of the United States as on December 31st, 1922. The chief features of the advance statement have aroused considerable interest in the full report, which will be some considerable time in further preparation.

According to the statement the national wealth was, on December 31st, 1922, $320,803 millions (at present rate of exchange about £74,000 millions), resulting in a *per capita* figure of $2,918 (£673).

The various items are as follows:

	Million Dollars	Increase since 1912 Census
Taxed Real Estate and Improvements	155,908	60.9
Taxed Exempt real property (exclusive of national parks and monuments)	20,505	66.5
Farm Implements and Machinery ..	2,604	90.4
Manufacturing machinery, tools and implements	15,783	159.0
Railroads and their equipment ..	19,950	23.5
Stocks of goods, vehicles, other than motor, and clothing	75,983	121.3
Motor vehicles	4,567	—*
Navy	1,456	259.4
Waterworks	360	24.4
Gold and silver coin and bullion—a Treasury figure	4,278	63.5

* No separate estimate having been made in earlier wealth censuses, the rate of increase is not available.

The one decrease of importance is that of live-stock, which fell 6.9 per cent. to a value of $5,807 millions. The total wealth increased, according to the statement, 72.2

per cent. in the decade between the years in question, while the *per capita* wealth increased in the same period 49.6 per cent. The statement closes with this observation; "The increases in money value of other classes of property are to a large extent due to the rise in prices in recent years, and, so far as that is the case, they do not represent corresponding increases in the quantity of wealth."

Compare now the relative burden of taxation in foreign countries to Great Britain.

In a written reply to Mr. Lambert, the Chancellor of the Exchequer gives the following details of taxation per head in various countries:

	1913 or 1913–14 (actual)			1923 or 1923–24		
	Currency		Sterling at par	Currency		Sterling
			£ s. d.			£ s. d.
U.K. ..		—	3 11 0		—	15 18 0
France ..	Frc.	84.5	3 7 0	Frc.	522.7	6 18 2
U.S.A. ..	$	6.3	1 7 11	$	30.0	6 14 10
Italy ..	Lire	53.8	3 2 8	Lire	327.7	3 6 11
Germany ..	Mks.	31.3	1 10 8	Mks.	81.34	4 1 4
Canada ..	$	16.60	3 8 2	$	36.80	7 19 8
Australia:						
Comw. ..		—	3 8 1		—	8 1 9
States ..		—	1 5 11		—	3 4 2
South Africa:						
Union ..		—	1 9 0		—	3 9 11
Prov. ..		—	4 9		—	11 9
New Zealand		—	6 3 0		—	12 5 3

In the right half of the table the figures for Italy, Canada, South Africa, and New Zealand are the actual figures for 1922–23; those for Germany are for 1924–25 (gold marks); and those for the Australian States 1921–22 actual. Those given for the United Kingdom are the figures for Great Britain and Northern Ireland.

In the table the figures for the United States, Canada, and Germany show the expenditure of the Central Governments only, not of the States. Other tables will be found in the appendix.

I have previously shown that before the war it was evident that direct taxation had reached the point at which it entered into the cost of production and affected prices, but if that was the case when it amounted to only £3 11s. 0d. per head what can we say of the present position where it is practically £16 per head, more than four times that amount. In the last twenty years we have taken £700 millions of the capital of the country in death duties alone. This enormous growth in taxation is one of the main causes of the worsening of our position since the war.

Meanwhile the socialistic movement which, so far as many of the original leaders were concerned, was in its origin a legitimate and proper rebellion against the false individualist economics which were fastened upon the country at the beginning of the 19th century, has reacted more and more to a mechanical application of the very economic doctrines against which it was a protest, and has become more and more revolutionary in character for that reason. The Ricardian doctrine of rent which has almost been explained away by the orthodox successors of Ricardo, is still the sheet anchor of socialistic finance. Theoretically there should have been a vast sum available from Mr. Lloyd George's land taxes, but as society is not constructed according to that theory the land taxes were one of the greatest financial fiascos of the centuries. None the less, the extension of the Ricardian theory of rent to almost all forms of economic activity is accepted very generally by our modern financiers and it is going to be very difficult to eradicate from their minds the idea that there is an almost inexhaustible fund of wealth secured by the natural progress of society which can be extracted for purposes of taxation. Therefore as the economic system we have established cannot in present conditions afford the standard of life at which it is perfectly legitimate for working men to aim, the tendency has grown more and more to do everything possible to improve that standard

of life out of the State revenues of the country utilised for various means. Failing an increase in production secured by a policy which is devoted to that end, there is no alternative to Socialism, and the country is being forced more and more into that as a permanent policy.

It is difficult to see how in these conditions which I have described manufacturers can possibly reorganise their businesses. The capital required for reconstruction is taken by taxation. The difference of the burden of taxation in Great Britain and in foreign countries is so great as to constitute almost we may say a bounty on the importation of foreign manufactures into this country. One would have thought that common fairness would suggest that there should at least be a countervailing duty roughly calculated to equalise conditions in this respect. But we maintain open ports for the benefit of our rivals and subject British manufacturers to a competition without any weapons at all with which to meet it. And meanwhile the general tendency of our financial legislation and the insecurity which prevails accentuate the difficulties of business organisation.

When those who had been concerned in working out the practical schemes for a national policy and Imperial organisation which I have described in the early chapters of this work were expecting after the armistice that a definite attempt would be made by the Coalition Government to give effect to these recommendations, the whole movement was side-tracked by undue insistence upon the state of the exchanges, and even prominent "Tariff Reformers" said it was impossible to contemplate legislation of the kind which was required until the return of normal conditions. This constant harping on normal conditions has been one of the greatest obstacles in the way of the recovery of British industry. The phrase "normal conditions" has played much the same part in relation to the constructive policy required in recent years

as the phrase "natural state" played in the economic philosophy of the past. Now as a general rule in what we call normal conditions the rate of exchange is a kind of reflex of international indebtedness of all kinds. Internal currency conditions do not as a rule affect foreign trade unless they affect the comparative cost of production in the country. The proper way of righting the exchanges is undoubtedly to bring about as soon as possible the normal interchange of commodities between trading countries, to improve the means of transport and communication, and to promote business in every possible way. That, however, cannot in modern times be done without a very carefully thought out economic policy. Countries are now so similarly equipped in regard to industrial processes that they tend to make very much the same kind of competing articles, and a properly adjusted tariff in these conditions is one of the most efficient means of restoring the parity of the exchanges.

Too much importance has been attached to this question of the exchanges. If we take the actual figures of production and trade of the different countries of the world in the last five years there does not appear to be in those figures economic ground for the rupture of normal rates of exchange which has actually taken place. In most countries trade has been approaching the 1913 level, and in some instances, as I have pointed out, it has passed it; while Great Britain presents peculiarities not shared by other countries. I cannot but think that much of the change to be observed in the rates of exchange is due not to the normal operation of economic forces but to deliberate manipulation of these exchanges with a view of exploiting different markets. This has become a new method of economic aggression, particularly by the financial groups who have ruined not Germany but the middle classes of Germany. A depreciated currency, unless it fluctuates, is not necessarily a bar to international trade, but the frequent,

we may say constant operations which have been observed can only be explained on the hypothesis of the existence of a powerful group of magnates who have used this method of aggression to fill their own pockets with the money which ought to have gone to the Allies. The corrective of that, so far as we are concerned, is not so much the adoption of a new kind of philanthropy to increase further the wealth of these groups, but a determination that so far as British markets are concerned, this form of piracy shall be stopped.

A table which brings out these points about the general normal character of trade, so far as the figures go, for all countries, is given in the Appendix.

CHAPTER XIII

THE RESPONSIBILITY OF TRADE UNIONS

It is often said that the restrictions imposed upon the freedom of action of the employer by the Trade Unions and their insistence on higher rates of wages than the industry can really afford, have so increased the cost of production that the United Kingdom can no longer compete successfully with its foreign rivals. This complaint has to be carefully examined. It is impossible to deny that given the conditions of the moment many firms have unquestionably lost contracts through their inability to reduce their costs and that the main item in those costs which cannot be reduced is wages ; and if we take a short view of the situation, the case of such employers is unanswerable. It has also to be admitted that the economic argument that high wages are followed by an increase of efficiency has been run to death. In many trades wages are so low that it is impossible for the workers to maintain their efficiency. In others it is equally true that an increase of wages has been followed by greater efficiency. But there is a limit to this argument, and it does not necessarily follow in present conditions that the wages sufficient to maintain a working class family at the standard of comfort which they legitimately ask for, can be afforded by the industry in which they are engaged. Notwithstanding these facts, the inquiries in which I have been engaged have convinced me that on the whole Trade Unionism has tended towards efficiency and has been a conservative influence in British trade, with certain qualifications I will presently note.

There are no doubt trade unions with very objectionable rules, and trade union officials who have pursued a very objectionable policy, for English trade unions are as varied in their structure and organisation and the policy they have adopted as the industries they represent. Everyone is acquainted with instances of what is called unfair competition due to the presence in the foreign competing industries of low-paid labour and bad general conditions as compared with industries in England, but it is not the countries where these conditions prevail which are our most serious competitors. The United States, for instance, is our most serious competitor. When we examined instance after instance before the Tariff Commission of conditions in Germany and other foreign countries, it was found that in the industries which most seriously competed with us, wages and general conditions were at least as good as they were in Great Britain. If there is a well-founded complaint that the superior standard of comfort of the British working classes in certain industries is a disadvantage to the employer, the conclusion suggested is not that trade union action in improving the conditions of life in England should be resisted, but that it required to be supported by the imposition of a tariff.

Trade unionism and strikes are no new phenomena in British industry. We have had widespread trade unionism at least since the year 1707 when a report on the subject was presented to the House of Commons, and the methods they employed at that remote date were very analogous to those which we have at present. Great strikes took place in the 18th century and in the early part of the 19th century. It is not too much to say that in their extent and bitterness the strikes of earlier times were far more serious than anything we have been familiar with in our own day. The unions have always pressed, and rightly pressed, for the maintenance of their standard of living. The economic principles upon which they are based are as old as the

world. In many of their rules they express principles which are the basis of Western civilisation. Historically they are one of the most ancient of our institutions in one form or another. It is inconceivable that the spirit which inspired them or the forms of organisation which they represent will ever be extinguished as long as the human race endures. British industrial supremacy was achieved with trade unionism in full operation. At that time the trade unions were maintaining, and rightly maintaining, against the individualist principles which governed the country, the inherent rights which belong to every man. It is not too much to say that but for the existence of trade unions during the last hundred years the country would long ago have been brought to absolute ruin and chaos by the doctrine of *laissez faire* under which the governing classes acted. In more recent times the trade union movement has undoubtedly undergone considerable changes, though we must not exaggerate. We complain of the political action of trade unionism ; they have always taken political action, We complain of the use of their funds for this purpose ; they have always used their funds for this purpose. In a constitutional country changes which are requisite cannot as a rule be obtained without legislation, and if we are to have legislation we must have political action ; and if the changes required are those which are desired by trade unions it is impossible to see how trade unions can properly refrain from political action.

But there are modes of action adopted in recent times by trade unions which have had a disastrous effect on the sense of security in industry. Democracy is on the downgrade everywhere, and just as in the central government the last thirty or forty years have been marked by an enormous increase in the power of the executive, so in the trade union movement the methods of primitive democracy have gone by the board and the power of trade unionism is now centred in the executives, and that means that a few individuals

may control the action of a union. Unfortunately some modern revolutionary ideas have obtained a firm hold in many of the unions, especially amongst the younger men. They are often inspired by false internationalism and try to secure their ends in this country by the lightning strike. If the trade unions would drop their internationalism, remember that they are members of a definite community, that of the British Empire and of Great Britain, and frame their policy with the direct view of making the best they can of that society of which they are members, there would be little objection to them. Most big employers would rather negotiate with a responsible union than have to settle their affairs with a number of people who are totally unorganised. But when the trade union, forgetful of its origin as the residuary legatee of the principles of society upon which Western civilisation was based, takes up with the latest ideas born of a false individualist economics and political ideas whose parent was really the French revolution, it becomes a danger to itself and a danger to the community of which it forms a part.

It is incontestable that some of the strikes which jeopardised our position before the war, and have stopped recovery since the war, have been anti-social in character and contrary in reality to the principles upon which trade unionism was based, and as I have said, the modern concentration of power in the hands of the executive, often brings it about that the action of the trade union does not represent the real views of its members, who are on the whole conservative, using that term in a non-political sense, and who have far other designs in prospect.

Whether the recent action of some trade unions has been dangerous or beneficial, the community has to make up its mind that the Unions themselves cannot be got rid of. There can be no possible way of forcing back labour to the conditions which prevailed a generation ago. Workmen who fought in the war and gave their lives for

their country, whether they belong to the industrial or agricultural classes, will not be content with rates of wages or conditions in which they cannot lead a decent life. Therefore all schemes for the promotion of trade must take trade unionism into account. Never again are the working classes of Great Britain going to consent to be exploited in the interests of trade as they were at the outset of the Free Trade era, and it is not right that they should so consent. But it is equally true that unless the trade unions themselves, whose essential principle is the antithesis of Free Trade, are willing to abandon free trade ideas in other departments of life, their aims cannot be realised.

CHAPTER XIV

TARIFFS AND DIPLOMACY

WHEN Mr. Chamberlain began his campaign in 1903, the vast majority of English people were not at all acquainted with the manner in which foreign countries used their tariff systems for the purpose of undermining British trade. They simply thought of a system of "protection" which involved the imposition of duties and that these duties were sufficiently high to keep British goods out of the protected markets. They had no idea of the variety of the tariff systems in operation, their structure and organisation, the diplomatic use that was made of them, and the fact that in modern countries, the use of a tariff to promote some of the main ends of government was pretty general throughout the world outside England. After the long period in which these subjects had been neglected, though in earlier times they were studied carefully by every business man, it was and is extremely difficult to educate the British public. Yet the use of tariffs to promote the organisation of States on a larger scale, and so to secure greater economy of production was, especially in the case of Germany, one of the outstanding features of 19th century history. England went gaily on with her free trade system and with her faith in the most-favoured-nation clause, entirely ignorant of the steps which other countries were taking to filch from us our industrial and commercial supremacy. No two countries have exactly the same tariff system. The differences that exist arise from the fact that the structure and organisation of industry in one country differ from that of another, and that the tariffs systems adopted have been gradually

worked out not with a view to satisfying any theoretical criteria, but in order to secure certain objects of public policy. Moreover, in order to understand the actual system of tariffs in the case of any one country, it is generally necessary to consider other parts of their public policy, especially their transport system, their navigation laws, their methods of regulating labour, and generally the relations between the government and industry and commerce.

The tariffs of the world, however, do fall into certain broad divisions. There is the general tariff system, under which a country adopts a single schedule of duties applied to imports without discrimination as to their origin. Examples of this with which we had to contend were the United States, Belgium, Sweden, Portugal, Denmark and Roumania. When, however, a commercial treaty was made by any one of these countries with another country, it was in practice of course necessary to grant concessions, and the country making the treaty had either to adopt a double tariff, or else incorporate in the general tariff the "conventional" rates, and extend concessions granted to one country to any country. This was the practice of Belgium. Norway changed from a general tariff system to a maximum and minimum system.

The second division is the general and conventional tariff system. This was the German system. First of all a "general" or autonomous tariff was constructed. This formed the basis of negotiations with the countries with which it was desired to arrange commercial treaties with a view to securing mutual advantages. As a result of negotiations, certain rates of duty in the general tariff were reduced; other rates were fixed by agreement, and these rates of duty so fixed could not be modified while the treaty was in operation. Then, since a most-favoured-nation clause was included in each commercial treaty, it followed that when the treaties came

into operation, the lowest rates included in all the treaties became the rates of duty actually levied on the goods of all the treaty states. The tariff so brought into operation was the treaty or conventional tariff of Germany. Other countries following this system are Austria, Italy, and Switzerland.

The third division is the maximum and minimum tariff system. Under this system two rates of duty are stated for most of the articles included in the tariff schedule. The maximum rates represent the highest to which duties can be raised, and the minimum the lowest to which they can be reduced by negotiation. These maximum rates roughly correspond to the general tariff as defined above, but the minimum rates do not necessarily correspond with the conventional tariff as defined. That is because between the maximum and minimum rates of duty there might be other conventional rates of duty settled by negotiation. The principal countries practising this system are France, Spain, Russia, Norway, Greece and Brazil, but scarcely any have been able to adhere rigidly to the system as above defined owing to the exigencies of negotiations and the operation of most-favoured-nation agreements. Owing to the confusion which exists in the public mind as to what a general tariff is, it should be noted that in none of the cases I have mentioned, does that term imply the imposition of a general uniform rate of duty, or a duty on all articles imported. The term "general" has no reference to the particular rates of duty or to the articles included in the tariff. A tariff is a "general" tariff when it is levied upon all countries failing negotiation by agreement or convention or treaty to the contrary. In the tariffs of Europe and America the free list is extensive, and in all of them the duties are graduated. The average rate of duty in the German general tariff in force before the war was about 14.4 per cent. *ad valorem* and the conventional tariff, that is the general tariff as modified by

treaty, about 13.5 per cent. *ad valorem.* In all tariffs the classification adopted turns out to be as a rule more important than the rates of duty. The duties levied may be *ad valorem*, specific, or levied by weight. A very common practice is the combination of *ad valorem* and weight duties. The operation of all tariffs is influenced by most-favoured-nation agreements and the interpretation of such agreements.

In the British Empire we are tending to a tripartite system of tariffs, that is a general tariff to be used for purposes of negotiation; an intermediate scale of duties to be granted to countries with which treaties are arranged; and preferential rates lower than the intermediate scale for use within the Empire.

No country used her tariff with greater skill than Germany before the war. It is not generally realised to what an extent the formation of the German Empire was the result of tariff negotiations, starting with the reorganisation of the Prussian tariff after the Napoleonic wars. The German tariff in use before the war was as I have described it with the inclusion of a penalty clause to this effect:

> "Dutiable goods proceeding from States that treat German ships or products less favourably than those of other nations may, without prejudice to the tariff duties, be burdened with a surtax ranging up to 100 per cent. of the tariff duty imposed on such goods or even with a surtax equivalent to the total value of the goods themselves. Goods free of duty in virtue of the tariff may, under the same conditions, be taxed with a duty not exceeding 50 per cent., *ad valorem.*
>
> "In like manner and save conventional stipulations to the contrary, foreign goods may be subjected to the same duties and customs formalities as are applied to German goods in the country of origin.
>
> "The measures provided for in this section shall be enforced by Imperial ordinance with the assent of the Federal Council."

After the general tariff had been adopted by the Reichstag, the German Government proceeded to negotiate with the principal countries of Central Europe with a view to securing mutual advantages. Treaties were arranged with Austria-Hungary, Russia, Belgium, Italy, Greece and Roumania. The result of these treaties was that certain rates of duty in the general tariff were modified by convention, and, by the operation of the most-favoured-nation clause included in each of the commercial treaties with the Central European Powers, were generalised, so that the conventional tariff of Germany was thus arranged. In addition to the commercial treaties with the Central European Powers, Germany also had 28 most-favoured-nation treaties, as well as most-favoured-nation agreements with other countries. Hence in practice the Conventional tariff was extended to almost every other country and the general tariff became a penalty tariff, but in the event of hostile action by other countries against German commerce, or less favourable treatment within the meaning of the law quoted above, the German Government could surtax the products of other countries up to the full value of the goods themselves. We had no commercial treaty with Germany from 1897 onwards. Up to that year British commercial relations with Germany were defined by "the treaty of commerce between her Majesty and the States of the Zollverein," of May 30th, 1865; and by various declarations such as the declaration of the accession of Mecklenburg-Schwerin to the treaty of navigation between Great Britain and Prussia on January 9th, 1869; and the Declaration of April 1st, 1869, for the admission, duty free, into Great Britain and the Zollverein of patterns and samples imported by commercial travellers.

Article 7 of the treaty of 1865 provided as follows:—

"The stipulations of the preceding Articles I. to VI. shall also be applied to the colonies and foreign possessions of her Britannic Majesty. In these Colonies and

Possessions, the produce of the States of the Zollverein shall not be subject to any higher or any other import duties than the produce of the United Kingdom of Great Britain and Ireland, or of any other country, or of the like kind; nor shall the exportations from these Colonies or Possessions to the States of the Zollverein be subject to any higher or other duties than the exportations to the United Kingdom of Great Britain and Ireland."

An article of similar import had been included in the treaty between the United Kingdom and Belgium in 1862.

As these stipulations prevented the adoption by Canada of a preferential tariff in favour of the mother country, both treaties were denounced by Lord Salisbury in the year 1897. In denouncing these treaties, Lord Salisbury stated:—

"Stipulations to this effect are entirely unusual in commercial treaties. No record exists in the archives of this Department of the circumstances under which this Article was adopted, or of the reasons which induced her Majesty's Government at the time to enter into an engagement of such a nature; and it would appear probable that the insertion of these words must have been due to oversight or to an adequate consideration of the exact consequences which would flow from them. The German Government are aware that for many years past the British self-governing Colonies have enjoyed complete tariff autonomy, and that in all recent commercial treaties concluded by Great Britain, it has been customary to insert an Article empowering the self-governing Colonies to adhere, or not, at will. No such Article is contained in the Treaty of 1865 between Great Britain and the Zollverein, and the consequences is that certain of the British Colonies, which are all comprised within its operation, find themselves committed by treaty to a commercial policy which is not in accordance with the views of the responsible Colonial Ministers, nor adequate to the requirements of the people. Beyond this, the provisions of Article VII. of the Treaty of 1865, quoted above, constitute a barrier against the internal

fiscal arrangements of the British Empire, which is inconsistent with the close ties of commercial intercourse which subsist and should be consolidated between the Mother Country and the Colonies. Under these circumstances, her Majesty's Government find themselves compelled to terminate a treaty which is no longer compatible with the general interests of the British Empire."

Lord Salisbury went on to say that the Government was anxious at once to commence negotiations for the conclusion of a new treaty from which the stipulations of Article VII. should be omitted, and which, whilst containing a clause providing for the facultative adhesion of the British self-governing Colonies, should in other respects be similar to the treaty of 1865.

No such treaty, however, was concluded, and from 1897 onwards the commercial relations between Great Britain and Germany were regulated by an Imperial Ordinance with the consent of the Federal Council, granting most-favoured-nation treatment. The arrangement was temporary and passed from year to year. Under this arrangement British goods, on importation into Germany, were nominally subject to the conventional rates of duty, but owing to the system of classification adopted, most of our imports into Germany were in practice subject to the rates of the general tariff. Moreover the Central European system of commercial treaties negotiated by Germany proved to be a most effective method of reducing British trade with that part of the world, and in the markets which were so protected and bound up with the German system, our trade remained stationary or declined, while German trade rapidly increased. Although we had most-favoured-nation treaties with all the countries concerned, the systems of classification, the transport advantages mutually obtained by these countries, and other stipulations, made such treaties of little utility in practice.

Free Traders always attach the greatest importance to the most-favoured-nation clause in our commercial treaties according to the interpretation generally adopted since 1860. Their view has been that negotiations on this basis brought about a lower rate of duty all round, that the British position was guaranteed by the fact that owing to our most-favoured-nation treaties with the various States of the world British products received all the advantages which any one State secured from any other State, and that although tariffs might be raised we suffered no disadvantage as compared with other States. The most-favoured-nation clause has been described by various authorities as the " corner-stone of the British commercial system," " its foundation," and its " sheet anchor." This view does not bear the test of examination and its failure, coupled with the neglect of other means to guarantee our position in the markets of the world, must be included amongst the causes of the relative decline of British trade.

Most-favoured-nation clauses had a place in the purely reciprocal treaties which were formerly negotiated, and they came into existence as a result of the large increase in the number of treaty-making countries. In the 18th century the principle of reciprocity was the general basis of negotiation ; that is, favours were only granted in return for definite compensation. The modern European position is that any country having a most-favoured-nation agreement with another country receives automatically and without compensation all concessions granted by that country to a third country. The United States has never accepted the British interpretation, and acts on the principle that concessions to most-favoured-nation countries should only be made in return for what they regard as equivalent concessions. The general interpretation adopted by the United Kingdom since the Cobden Treaty of 1860 has been that every concession given to any third country must be automatically and without separate compensation extended

to the United Kingdom, but there are exceptions to this form of treaty.

Practically all countries followed the British view. Figures are not available for considering the effect of most-favoured-nation treatment since the war, but if we examine the leading imports into various countries from the United Kingdom before the war the figures show that the favourable effect of the most-favoured-nation arrangement upon British trade is greatly exaggerated. There are many methods of evasion of the obligations of the clause when a Government desires to limit the concessions made to the country with whom the treaty is concluded. The manipulation of the classification, the specialisation of tariffs, the insertion of conditions which other countries cannot satisfy, can all be employed for this object and some of our great authorities such as the late Sir Edward Fitzgerald Law have expressed grave doubt as to the value of the clause. The real fact is, he said, that most-favoured-nation privileges constitute no guarantee against the common practice of showing less favour to British trade than to that of any other nation. In justification of this, before the war only 15 per cent. of our exports to Germany obtained conventional rates less than the general rate, although we had most-favoured-nation treatment, while in the case of other countries such as France, Austria-Hungary and Switzerland, the proportion was much higher.

The Dominions have generally shown themselves rather restive under the operation of treaties concluded by us and by which they are bound either under the ancient system, now discarded, or their own accession to the treaties, and to our interpretation of most-favoured-nation treatment. As I have pointed out above this question played a very important part in the great Reciprocity election of 1911 between Canada and the United States, and a request was made to the British

Government that negotiations should be initiated with a view to freeing the Dominions from the application of this clause in these treaties. Now that the Dominions are making such great industrial and commercial progress, this question is likely to be of very great importance, and it will be necessary to consider carefully what steps should be taken by the Government of the United Kingdom in conjunction with the Dominions to prevent the difference of view leading to serious divisions in the Empire, for obviously we cannot have treaties negotiated under the same sovereignty involving different interpretations of international law. Although we had numerous instances, particularly in our relations with France, of the impossibility of making a satisfactory commercial treaty under our present fiscal policy, nothing was done up to the outbreak of war to place the United Kingdom in a strong position in regard to such negotiations. The Committee on the Trade Relations of the United Kingdom within the Empire in 1918 took all our commercial treaties into consideration and they were divided into three categories and the policy decided upon in regard to each group. But nothing appears to have followed these efforts and the treaty system of the British Empire is at present in a state of confusion. Meanwhile, as the conclusion of commercial treaties has become the normal procedure by most foreign countries, it is a matter of the most urgent necessity to deal with the problems which arise. Since the war nearly every country in the world has revised its tariff and in every case has adopted a higher scale of duties. In some cases under the system of co-efficients which has been adopted in view of the condition of the exchanges, the tariffs have become higher than has ever before been known in history. Not only are the tariffs higher but there are more separate customs areas in the world at the present time than has been known for more than a century. The movement has extended even to the

United Kingdom where, whatever may be said for or against the Irish settlement, it has certainly resulted economically in the reversal of the policy of our ancestors in the setting up of customs houses between different parts of the United Kingdom. This movement is not likely to stop. Just as the Napoleonic Wars marked a great era in the tariff history of the 19th century, so we may anticipate that it will be many a long day before the high tariffs which have now been imposed are reduced. So far as the United Kingdom is concerned, there is no way of doing this except by the bargaining power which the British market confers upon us if we choose to use it.

CHAPTER XV

THE CRUCIAL TEST OF UNEMPLOYMENT

THE influences that I have described all come to a head in producing the vast volume of unemployment with which we have to deal at the present time. This is so important a fact in the situation that I give the following detailed table showing the numbers and percentage of unemployed in the more important industries at the end of 1923.

Industry	Insured Work-people	Numbers Unemployed	Percentage
Iron Ore and Iron Stone Quarrying and Mining	19,720	3,827	19.4
Lead, Tin, and Copper Mining ..	5,070	914	18.0
Artificial Stone and Concrete Manufacture	10,750	1,954	18.2
Pottery and Earthenware ..	72,130	10,566	14.6
Glass Bottle Making	16,500	3,067	18.5
Puddling Furnaces, Iron and Steel Rolling Mills	214,630	36,633	17.1
Brass, Copper, Zinc, Tin, Lead, etc Manufacture	42,510	5,552	13.1
Iron and Steel Tube Making ..	25,350	3,768	14.9
Engineers Iron and Steel Founding	674,920	132,824	19.1
General Iron Founding	85,910	12,924	15.1
Marine Engineering	66,870	14,875	22.2
Carriage Construction and Repair	27,940	3,675	13.2
Shipbuilding and Repairing ..	272,530	93,077	34.2
Hand Tools, Cutlery, etc. ..	30,100	4,239	14.1
Bolts, Nuts, etc.	30,240	4,067	13.4
Brass and Allied Metal Wares ..	32,450	5,846	18.0
Cotton Industry	576,290	69,036	12.0
Linen Industry	82,070	12,371	15.1
Hemp, Spinning and Weaving Rope, Twine, etc.	20,160	2,582	12.8
Lace Industry	21,570	3,551	16.5
Textile Bleaching and Dyeing ..	116,960	14,533	12.4
*Other Textile Industries ..	43,420	5,759	13.3

* Excluding Woollen, Jute, and Silk Industries.

Industry	Insured Work-people	Numbers Unem-ployed	Per-cent-age
Tailoring	186,210	23,043	12.4
Hat and Cap Manufacture ..	34,640	4,661	13.5
Wood, Box, and Packing Cases ..	12,730	1,800	14.1
Building	717,120	97,450	13.6
Public Works Contracting ..	127,760	24,121	19.0
Rubber Manufacture	57,900	7,305	12.6
Brush and Broom Making ..	8,900	1,104	12.3

The contrast between the state of employment in trades which have recently been called "sheltered" trades, and those subject to unrestricted competition, is brought out in the figures for April quoted in the following table:

DISTRIBUTION OF UNEMPLOYMENT.

	Number Unemployed	Percent-age
Coal Mining	26,436	2.1
Tramway and Omnibus Service ..	3,638	3.3
Woollen and Worsted	13,703	5.0
Railway Service	10,295	5.3
Gas, Water, and Electricity Supply ..	10,423	5.9
Local Government	15,401	6.3
Distributive Trades	86,541	6.9
Construction and Repair of Motor Vehicles	14,848	7.6
Clothing Trades	32,609	7.7
Chemicals Manufacture	9,074	8.6
Linen Industry	7,570	9.2
National Government	17,295	9.5
Boot, Shoe, and Slipper Trades ..	13,696	9.5
Bread, Biscuit, and Cake Making ..	15,713	9.9
*Building Trades	72,583	10.1
Stove, Pipe Making, and General Iron-founding	10,504	12.2
Textile Bleaching, Dyeing, etc	14,351	12.3
Hotel, Club, etc, Services	33,589	13.2
Road Transport	22,109	15.0
Cotton Industry	88,582	15.4
Engineers, Iron, and Steel Founding ..	108,340	16.1
Puddling Furnaces, Iron, and Steel Rolling Mills	35,072	16.3
Marine Engineering	10,882	16.3
Public Works	21,618	16.9
Shipping Service	22,407	19.0
Shipbuilding and Repairing	77,108	28.3

*Details:	Number Unemployed	Percentage
Carpenters	3,960	3.2
Bricklayers	903	1.6
Masons	608	2.7
Slaters	383	7.4
Plasterers	360	2.2
Painters	11,659	10.9
Plumbers	2,331	6.8
Labourers of above	29,353	11.5
All other Occupations	23,026	24.1

In some industries wages have not risen in proportion to the increase in the cost of living, whilst in others wages have outstripped the rise in the cost of living.

The main sufferers are those whose products have to compete in the world market, so that the skilled workman suffers to a much greater extent than the unskilled. On the other hand those are the chief gainers whose products are more or less sheltered from foreign competition.

In the following industries wages since 1914 have risen by the percentage stated:

Shipbuilding (skilled)	20%
Engineering (skilled)	43%
Pottery	50%
Agriculture	56%
Cotton Operatives	61%
Hosiery	66%
Shipbuilding (unskilled)	68%
Cost of Living Increase 73%.	
Engineering (unskilled)	76%
Furniture Trades	88%
Boot and Shoe Operatives	90%
Local Authorities (unskilled) ..	90%
Wool and Worsted Operatives ..	100%
Bakers	111%
Printers	112%
Railwaymen	120%

Since the outbreak of the war people have lost their sense of perspective in dealing with figures relating to finance and trade. It is difficult to recall the situation before the war when we regarded a 5 per cent. rate of

unemployment in an industry as a most serious symptom. It will be seen from the first table printed above that the figures of unemployment ranged from 12 to 34 per cent., but it has to be remembered that these figures, although based upon approximately 11,750,000 persons to whom the scope of unemployment insurance is extended, are still only an index of the actual state of unemployment in the country. In the first place it is not confined to any one class. There are a large number of people in other than the working classes who are affected by the present state of trade, and who are in far worse distress than those who receive the unemployment insurance. People in the middle and upper classes, no less than the working classes, literally do not know where to turn to find the means of living or for the upkeep and education of their families. In the second place, we have to add to these numbers the young people who, at the rate of 160,000 a year attain the age of 18, and cannot find employment, and whose gifts, such as they are, go to seed for the simple reason that they have nothing to do. In the third place, to these figures has to be added the enormous number of people who are suffering from short time of which no complete record is available. Fourthly, there is the unemployment in the uninsured industries, those engaged in agriculture, domestic service, and out-workers. Then over and above all these figures there is the anxiety and strain caused to all classes of the people from fear lest they should lose the employment they already have. If we want to get a real measure from unemployment figures of the industrial position of the country we must add to these figures of unemployment the large number of persons who are now being temporarily relieved by enterprises undertaken by the State and municipalities for that object, running now to hundreds of thousands. Their work may be productive in a sense, but it is unproductive in the sense that there is not a real economic demand for it; these works

are relief works whether they are useful or not, and are merely temporary; and there is the further consideration that the people employed on such works are in most cases taken away from the trades they understand. I cannot recall any period in English history when the problem of unemployment was so menacing as it is at the present time. It is safe to say that if present conditions continue much longer there will be a permanent deterioration in the efficiency of all classes which will make recovery to our former trade figures almost impossible. It is usual in certain circles to distinguish as I think in too academic a manner between the different classes of unemployed, between those who are unemployable for various reasons and those who are at present out of work because they have recently lost their occupation. This is quite a useful distinction for a very short period but the consideration of the classes of unemployable only carries the problem back a little further. The investigation of Mr. Charles Booth many years ago into the conditions of life in London showed even then the rapid decline in efficiency of people who were subject to town conditions. If at the present time people lose their occupation and have to do as well as they can in our great cities it is certain that they will rapidly become unemployable. I was years ago, and still am, greatly interested in genealogical studies of the effect of modern industrialism in the dispersion of families and its effect upon their character and efficiency. I have in the past thirty years investigated the history of hundreds of families and I can say without reservation that amongst the poorest and most inefficient and most unemployable persons in the community at the present time there are the descendants of people who a few generations ago were amongst the very pick of our handicraftsmen. The effect of the conditions I have described on the population viewed from this very practical aspect, is appalling. Families and individuals whom I myself remember in my

boyhood as consisting of the most able and efficient workers in a variety of trades are at the present time in a state of distress and inefficiency which it is impossible to contemplate without alarm. If that is taking place amongst the descendants of people who have come within my own observation, how great must be the danger to the State of permitting this influence to work upon our policy generation after generation without making any serious attempt to deal with it. The prime object of all statesmanship is to maintain employment and a proper standard of life for the great masses of the people, and judged by this standard the Free Trade *laissez faire* policy we have pursued for the last few generations is a failure.

CHAPTER XVI

THE NECESSITY OF A DEFINITE POLICY

It was the situation which I have described which Mr. Stanley Baldwin had to face when he appealed to the country at the end of 1923. It was not a new situation. Every Government in recent times has gone to pieces directly or indirectly on the question of economic policy and this phenomenon will recur until British economic policy is once more established on a firm foundation. It seems to be a simple question to which the only answer could be in the affirmative as to whether a great country like England with its Imperial responsibilities should be free to use the tariff for the purposes of its policy and organisation if the situation requires it. That is the question upon which we so-called Tariff Reformers have been trying to educate the country for thirty years. Several alternatives have been suggested to the simple course of facing the facts and doing what they require. When Mr. Chamberlain first started his campaign there were many persons who were prepared to do anything and everything except put a few duties on imported articles and give the Dominions a preference. Their favourite argument was that that was not the way. It was a much better way to deal with the transport question, to subsidise shipping, to subsidise agriculture, to buy up Colonial products by State agencies, forgetting that Mr. Chamberlain at the Colonial Office had considered these methods of linking up the Empire and found that they would not suffice. But excellent as some of the methods were that were proposed they would be inoperative unless some big

national Imperial policy could be devised which would direct all men's minds to the objects in view and appeal to all producers whatever their creed. At the other extreme there were people who advocated an Imperial Zollverein or Customs Union on the German plan. I believe Mr. Chamberlain himself was rather taken with this idea at one time. There are still people in England who think it would be a good thing. The difficulties about this plan are first of all that the German model in no sense applies to the case of the British Empire. Even in linking up the States of the German Empire it was a matter of extraordinary difficulty to find duties which could be operated in such a way as to provide for an all-round tariff among the states which formed the Zollverein and at the same time to produce internal unity. In fact this was never completely achieved up to the outbreak of the war, although it had come so near achievement that the differences between one State and another amounted to very little. But the British Empire, consisting of States at every stage of economic development and of every kind of political and economic structure, could not be so brought together with the unity required in the Zollverein, and a uniform tariff round all the States of the Empire is not at all a feasible project. From the economic point of view it is entirely impracticable. Secondly, in the formation of the Zollverein, which was the economic basis of the German Empire, the States entering into union had to sacrifice their fiscal autonomy. The States of the British Empire will never do that. In fact the German system is the very antithesis of what we have always tried to build up in British lands and is in conflict with the most cherished ideals of the British peoples. The Zollverein idea was always certain of rejection in all British Dominions and never had very wide support even in Great Britain. Another plan which was suggested was Free Trade within the British Empire but without any tariff at home, the idea being that in return for financial aid or other

means which should be devised, the Dominions should reduce their tariffs. This would in no way benefit the trade of Great Britain unless the tariff advantages granted by the States of the Empire were exclusive, and if they were to be exclusive it involved the imposition of a tariff in Great Britain. The idea which since the war has been popular in certain circles is the policy of pro-internationalism. Habit triumphs over experience to such a degree in the minds of its advocates that in the face of universal experience during the last hundred years, they still seem to think there is a chance that foreign countries may be induced to abandon their tariffs. It happens that the foreign countries have been revising and increasing their tariffs with great assiduity since the conclusion of the war, and this movement only followed a movement which extended over generations before. This tendency to raise tariffs is not due to anything specific and malicious in the character of foreign peoples but corresponds to their financial and economic needs. They take the view that they have to conserve their own trade and employ their own people and provide for their own financial needs. There is no country in the world which, even if it were practicable, would be so foolish as to throw the burden of the production of revenue solely on food taxes and direct duties as we do. The object of all foreign statesmanship is to relieve their people of duties upon food which they are certain to pay, and to raise the revenue they require by duties in regard to which there is generally at any rate a possibility that other people will have to pay; and great as the wisdom of our Free Traders may have been there is no chance whatever of converting foreign countries to our view.

The policy of internationalism is obviously quite impracticable in the real world. The consciousness that the practice of the 19th century has led to unsatisfactory results in the past and can furnish no expedients for dealing

with the menacing problems of the present time has driven some into another line of investigation, the stabilisation of prices. I feel sure that the advocates of this scheme can never have constructed diagrams of prices extending over a very long period of time and compared prices in this way for their own country and other countries, or else they would have very small hopes of being able to capture by the device of index numbers the mysterious forces which lead to the periodicity of the movement of prices. What they are no man can tell, but I ask anyone who is doubtful of what I say to take the prices of wheat alone for the last hundred years of the leading countries of Europe and plot out diagrams on the plan of decennial averages, and see whether they can observe in the periodicity which these figures reveal any great hope that by the manipulation of index numbers they can secure the stability of prices. Moreover this scheme does not relieve us of the necessity of examining other schemes of policy. In the only plans which I have seen worked out in detail, these methods of stabilising prices require to be backed up by rather high tariffs if we are to secure the trade which in our condition of stabilisation will be ours. The natural deduction seems to be that we had better first of all decide definitely that we will secure the trade, and then perhaps we shall be so prosperous that the fluctuations in prices will not mean so much to our teeming population. One great objection to all these alternatives is a very simple one. They do not directly concern a sufficiently large proportion of our population. Financial and credit schemes are all very well in their place and I trust they will be employed. At the same time it must be admitted that the advantages of such schemes are much more likely to fall into the hands of small groups of powerful financiers who have the ear of the Government than to affect the economic fortunes of the great masses of the people engaged in trade and enterprise. There has been far too much of this in recent

years and it is not desirable that firms should be led to trust too much to the contracts they get from the Government. We want a policy which affects everyone, which everyone can understand, which is stable in itself so that people may make their plans ahead both here and abroad, and then there is a chance that there will be such an expansion as we desire to relieve our present difficulties. Schemes which depend upon the psychology of a Minister are not such as our ancestors would have approved of in building up the fabric of the British Empire. As a matter of fact in the actual experience of the movement since Mr. Chamberlain started it 21 years ago it has been found that Government and Parliament will not take up with vigour the alternatives that have been suggested to Mr. Chamberlain's policy. Sir Walter Scott used to say that it was a good rule that if you wanted to do anything you should do something else; but this does not apply to statesmanship, and when alternatives are recommended because people are too timorous to face the question of policy upon which they think their fellow countrymen will disagree with them, we may be pretty certain that the alternative also will be opposed by large numbers of people because they are afraid they are movements in the same direction as the Tariff movement which is rejected. This has always been found to be the case. For instance one would have thought that during the war common prudence would have suggested that the business firms of Great Britain should at first, at any rate, be organised at the greatest pitch of their capacity before we decided to heap up obligations to foreign countries by putting our contracts outside. Yet in my experience at the Unionist Business Committee I found that there was the strongest objection to anything of that kind, for fear the firms whose business was so temporarily expanded in that way would obtain a vested interest in the maintenance of their position which would force, after the war, a change of economic policy, and British firms until

very late in the war were never given a real chance of showing what they could do. One of the results of that is, at any rate, a fair proportion of the foreign indebtedness which is such a burden to us at the present time.

The correlation between the state of employment in this country and its trade is complete. During the recent election some of the opponents of Mr. Stanley Baldwin made the most ingenious calculations to prove that if all importations were stopped and all the goods that we imported were made at home, it would not have an appreciable effect on the numbers of unemployed in Great Britain. This is the most fallacious argument. Not only must we consider the value of the imported articles but also what that importation affects, and the importation below cost of a large proportion of £260 millions worth of manufactured articles is enough to destroy the security of any market. The result is that not only have you the actual displacement of working men who could have made the imported articles, but you have the diminution of our competing power in foreign markets, the diminution of our shipping trade, and the insecurity which prevails over every branch of business. A trade like shipbuilding which is carried on wholly at home is directly affected by the state of business generally. No branches of business are independent of one another and as a matter of fact if we take the proportion of our relative fall in foreign trade, and suppose that it is much the same in our home trade. the figures of the unemployed are completely accounted for.

Now whether there is a direct relation between the facts I have described and unemployment is not a matter of theory at all; it is a matter of everyday experience, and that experience shows that in trade after trade men have in fact been discharged because the firms engaged in the trade could not get orders owing to the competition of foreign goods in the market. Take for example the almost complete disappearance of the glass trade, the state of

things in the lace trade, and the competition of French goods with the products of the West Riding, iron and steel and engineering products. In fact, in any one of the 15 groups of big industries, actual investigation shows that the importation of goods from abroad has made it impossible for firms engaged in these industries to carry on and they have accordingly discharged their workers. I am not arguing whether the importation takes place in accordance with an academic definition of what is dumping, but simply that the competition is of such a kind, whether dumping or otherwise, that it makes it unprofitable for these firms to continue their business and therefore they discharge their men.

So in regard to agriculture in all its branches, the course of things is the same. If you cannot get a sufficiently good price for your market gardening products because of the competition of cheap stuff from Holland, you cannot as a matter of fact go on. It is not a question of theory at all, and that is the case over wide areas where, under fair competition, a sufficient supply of products of this kind can be obtained to satisfy the needs of the community, and of a better quality than we import from abroad. On the other side is the testimony of hundreds of firms to the effect that if the policy, speaking generally, which Mr. Baldwin advocated, had been adopted, they would in fact have been able to expand their works and take on so many hundreds of British employees. Therefore theorists may argue till doomsday that it is not profitable for the country as a whole to refrain from these foreign importations and that the people who are displaced ought to find occupation in more profitable undertakings; in fact they do not. One of the fundamental conceptions of 19th century economics was the mobility of labour and capital, but there is not this mobility in the actual modern world. The people who are displaced do not find other occupations; the businesses are destroyed; and the capital is lost.

CHAPTER XVII

TRADE AND THE RESTORATION OF EUROPE

THE advocates of remedies for the present state of unemployment may be broadly distinguished into two groups, first, those who say that the true remedy can only be found in the restoration of Europe, and second, those who look for it in the development of the resources of the British Empire. But these two policies are not mutually exclusive. All men of goodwill desire the restoration of peace and prosperity in the world, but a real peace is nothing less than the disposition in their due order of the aims and policies of the different States. If by the restoration of Europe we mean simply the re-establishment of Germany and Russia, it cannot be said that the return, at any rate, of the aggressive economic policy of the former is likely to be a factor making for peace; it is much more likely, as in the past, to lead to a fresh great war. If the advocates of the restoration of Europe as a remedy for unemployment in Great Britain mean that that unemployment can be relieved by reliance on Central Europe and Russia as markets for the disposal of British produce, there is not much hope to be derived from the pre-war figures.

It will be seen from the table over-page that apart from Central Europe and Russia (including the new Baltic States) our export trade to Europe is nearly up to pre-war level.

EXPORTS TO EUROPE FROM UNITED KINGDOM
(Quarterly Average).
Estimated Volume at 1913 Price Levels.

	Quarterly Average 1913	Value as Declared 4th Qtr. 1922	Value at 1913 Prices 4th Qtr. 1922	Percentage of 1913 Volume
		(In million £'s)		
To Western & South-Western Europe	18.9	29.8	15.8	84
To Scandinavian Countries & Holland	9.0	20.4	10.8	121
To Central Europe	11.3	8.9	4.7	42
To Russia & New Baltic States	4.5	2.3	1.2	27
To South-Eastern Europe	1.9	2.2	1.1	61
Total to Europe	45.6	63.6	33.6	74
Omitting Central Europe and Russia, the figures for the corresponding periods are as follows :—				
To Western & South-Western Europe	18.9	29.8	15.8	84
To Scandinavian Countries & Holland	9.0	20.4	10.8	121
To South-Eastern Europe	1.9	2.2	1.1	61
	29.8	52.4	27.7	93

As regards our diminished trade with Central Europe and Russia, an analysis of our pre-war trade will show that we have little to gain by a restoration of that trade to pre-war levels, but rather something to fear.

UNITED KINGDOM TRADE WITH RUSSIA, GERMANY AND AUSTRIA-HUNGARY IN 1913.

	Russia	Germany	Austria Hungary	Total
	£	£	£	£
Imports from ..	40,271,000	80,411,000	7,706,000	128,388,000
Exports of Produce & Manufactures of the United Kingdom to ..	18,103,000	40,677,000	4,480,000	63,260,000
Excess of Imports	22,168,000	39,734,000	3,226,000	65,128,000

Our total imports from these countries amounted to £128,388,000 and our exports to £63,260,000, leaving an adverse balance of no less than £65,128,000. An analysis of this trade as bearing on industry in this country is even more startling. The following table shows to what extent manufactures enter into this trade.

IMPORTS & EXPORTS OF MANUFACTURES

	Russia	Germany	Austria-Hungary	Total
	£	£	£	£
Imports from	2,829,000	56,257,000	2,319,000	61,405,000
Exports to	10,255,000	26,887,000	3,299,000	40,441,000

It will be seen that our trade in manufactures with Russia and Austria Hungary showed a favourable balance of less than £8½ millions, whilst our trade in manufactures with Germany showed an excess of imports amounting to nearly £29½ millions.

The tables already given show that our exports trade to the rest of Europe is nearly up to the pre-war level. The value of restoring to its pre-war level our export trade with Russia and Central Europe as a means of dealing with our unemployed may be gauged from the following facts:—

In 1913 the percentage of our total exports imported by these countries was 12 per cent. These exports have diminished by over 60 per cent. that is, we have a deficiency of 7 per cent. of our exports to recover, to equal our pre-war level. How this recovery would affect unemployment may be stated as follows:—

Roughly estimated, our export trade represents rather less than one-fourth of our total home production. A recovery of 7 per cent. in our export trade would thus mean less than 2 per cent. of our production. The number of registered unemployed workpeople at the end of April 1924 was 1,137,683, out of a total of 11,502,000 insured

workpeople. A two per cent. increase in production would not go far in solving the unemployment question, but a restoration of German trade to its pre-war level would lead to the home market being again flooded with a large surplus of cheap manufactured goods.

A comparative statement of our trade with Germany during a period of six years before the war is appended.

IMPORTS FROM GERMANY

	Total Imports	Manufactures
	£	£
1908	54,960,000	36,649,000
1909	57,785,000	39,429,000
1910	61,829,000	43,617,000
1911	65,281,000	46,403,000
1912	70,048,000	51,712,000
1913	80,411,000	56,257,000

EXPORTS OF UNITED KINGDOM PRODUCE AND MANUFACTURES TO GERMANY

	Total Exports	Manufactures
	£	£
1908	33,398,000	22,653,000
1909	32,256,000	21,907,000
1910	37,020,000	26,010,000
1911	39,283,000	27,567,000
1912	40,363,000	28,031,000
1913	43,677,000	26,587,000

It is stated further by the advocates of this policy that we cannot secure a real development of Empire trade unless we first of all restore the Continental countries with which British Empire countries carried on their trade before the war, that the decline of this trade has led to such a diminution of their total trade that it is one of the main factors in the sluggishness of Empire markets. This statement is entirely contrary to the facts. The combined trade of the Dominions and India has increased in imports from £396 millions in 1913 to £540 millions in 1922, and exports from £395 millions in 1913 to £604 millions in 1922. The trade of the Dominions and India with Germany before

the war was trifling compared with their total trade as will be seen from the following table.

TRADE OF THE DOMINIONS WITH GERMANY

	1903		1913	
	Germany	All Countries	Germany	All Countries
Australia.	£	£	£	£
Imports	2,358,553	37,811,471	4,956,834	79,749,653
Exports	3,134,638	48,250,112	6,873,441	78,571,769
New Zealand.				
Imports	274,297	12,788,675	687,935	22,288,302
Exports	17,584	15,010,378	337,448	22,986,722
Canada.				
Imports	1,680,541	51,689,890	2,921,879	138,856,281
Exports	373,951	43,890,476	699,381	80,831,034
Union of S. Africa.				
Imports	2,371,834	28,862,607	3,425,120	42,797,077
Exports	1,738,244	49,462,278	2,157,904	66,659,552
British India.				
Imports	2,138,187	87,412,253	6,874,708	152,307,623
Exports	9,879,619	112,305,894	16,622,159	171,233,398

The figures for the Union of South Africa refer to the years 1909 and 1913, as the Union did not exist before 1909.

Taking the four Dominions as a whole, out of an aggregate import trade in 1913 amounting to £283,691,000 Germany contributed £11,990,000 or 4 per cent.

The combined export trade amounted to £249,450,000; of this amount only £10,068,000 or four per cent. went to Germany.

Germany supplied 4 per cent. of India's imports and took 9 per cent. of her exports.

As regards the present position, it will be seen that this trade is still in existence.

TRADE OF GERMANY AND THE DOMINIONS
(1922 and 1923)

Australia. Imports.

April–September, 1923, from Germany £444,000. (Up to last year trade with Germany was banned).

Union of S. Africa; 1922. *Trade with Germany.*
Imports £2,687,218
Exports £2,884,652

Canada: Fiscal year 1923. *Trade with Germany.*
Imports £535,000
Exports £2,073,000

British India:
During the fiscal year 1922, Germany supplied 3 per cent. of imports and took 7 per cent. of exports.

Trade with Russia

The trade with Russia was as follows:

Australia: The total import and export trade with Russia was very small, amounting to only £11,000 in 1903 and £160,000 in 1913.

New Zealand: Trade with Russia practically nil.

Canada: Total trade with Russia in 1903, £106,000; and in 1913 £630,000.

Union of S. Africa: The total trade with Russia amounted to only £165,000 in 1909, and £86,000 in 1913.

British India: Total trade with Russia amounted in 1903 to less than 1 per cent. of India's total trade and ½ per cent. in 1922.

Reviewing all these figures, neither in those relating to trade between Great Britain and the countries of Central Europe, nor between the Dominions and Central Europe is there any justification for the view that by increasing either up to the pre-war level can we deal with the problem of unemployment in Great Britain. Since, then, we are members of the British Empire, it seems that in our contribution to world peace problems it would be best to devote ourselves in the first instance to what the Empire should do for the solution of the difficult problem. This was the view taken both by the Trade Relations Committee and by the Imperial Conference in 1918. Of course the solution of European problems must go on *pari passu* with the

solution of Empire problems but for the Englishman the setting in order of the British Empire must come first, both logically and because in the British Empire we have already a great League of Nations organised upon a model which other countries might well follow, which has already advanced many stages towards the solution of the difficulties we have to encounter. We might also go so far as to say that the key of the economic problems of the world at the present time is to be found in the British Empire.

CHAPTER XVIII

EMPIRE DEVELOPMENT AND PREFERENCE

THE next most important feature of the export trade is the manner in which we have become dependent on the Empire trade in recent years for the maintenance of our position. This trade is dependent on the maintenance of a scheme of preference. The position is shown in the following table dealing with our exports of the chief groups of domestic manufactures to foreign countries and to the British Empire respectively.

UNITED KINGDOM EXPORTS OF DOMESTIC MANUFACTURES

(000's omitted).

	1899	1903	1913	1922
Chinaware & Earthenware.	£	£	£	£
To Foreign Countries	1,390	1,269	2,205	2,846
To British Empire	652	906	1,592	3,003
Total ..	2,042	2,175	3,797	5,849
Glass & Glassware.				
To Foreign Countries	375	371	712	682
To British Empire	546	730	1,102	1,407
Total ..	921	1,101	1,814	2,089
Cotton Piece Goods.				
To Foreign Countries	26,561	29,661	47,118	71,418
To British Empire	24,298	25,596	50,587	71,018
Total ..	50,859	55,257	97,705	142,437
Woollen Tissues.				
To Foreign Countries	4,001	4,246	10,387	18,155
To British Empire	1,265	1,626	4,079	6,901
Total ..	5,266	5,872	14,466	25,056

	1899	1903	1913	1922
Linen Piece Goods.	£	£	£	£
To Foreign Countries	2,752	3,270	4,601	5,389
To British Empire	528	816	1,327	1,681
Total ..	3,280	4,086	5,928	7,070
Paper, & Manufactures of				
To Foreign Countries	530	581	1,399	4,495
To British Empire	894	1,190	2,280	6,748
Total ..	1,424	1,771	3,679	11,243
Boots & Shoes of Leather.				
To Foreign Countries	229	204	1,560	905
To British Empire	1,197	1,641	2,634	1,920
Total	1,426	1,845	4,194	2,825

	1899	1903	1913	1921	1922
Iron & Steel Manufactures.	£	£	£	£	£
To Foreign Countries	18,023	15,935	28,419	26,505	28,769
To British Empire	9,689	14,464	26,932	37,098	32,093
Total ..	27,712	30,399	55,351	63,603	60,862
Other Metal Manufactures.					
To Foreign Countries	5,258	4,314	7,552	6,098	6,615
To British Empire	1,534	2,645	4,484	5,558	4,909
Total ..	6,819	6,959	12,036	11,656	11,524
Hardware, Cutlery, Implements.					
To Foreign Countries	2,316	2,230	3,777	4,049	3,011
To British Empire	1,743	2,409	3,352	4,953	3,415
Total ..	4,059	4,639	7,129	9,002	6,426
Machinery.					
To Foreign Countries	14,413	12,329	22,673	38,654	26,884
To British Empire	5,239	7,729	10,930	35,953	24,655
Total	19,653	20,058	33,603	74,607	51,539

Exports of articles classified under the heading "Vehicles" in the Board of Trade returns (including ships, locomotives, and aircraft) in 1913, amounted to £24,509,000, of which £9,364,000 went to the British

Empire. The corresponding figures for 1922 were £49,504,000 to foreign countries, and £16,615,000 to the British Empire. Articles included under this heading were variously classified in 1899 and 1903).

The aggregate value of exports of the metal and vehicle groups was £132,628,000 in 1913, £217,073,000 in 1921, and £179,855,000 in 1922, while the value of exports to British Empire countries was £77,566,000, £112,632,000 and £81,688,000 respectively.

The total export for 1923 was £170,421,000.

It is by fashioning a policy for the development of the vast resources of the Empire that we can make our most important contribution towards getting rid of unemployment abroad and setting the other States of the world in due relation one towards another.

These resources consist of almost all the materials requisite for the satisfaction of human needs. It is not possible in a work of this kind to include a statistical survey of the resources of the Empire, and of the raw materials of every kind. A very complete inquiry was made by the Dominions Royal Commission and complete surveys were prepared for the Imperial Conference of 1918, and this information has been kept up to date both in British Government Departments and by other associations such as the Empire Development Union; but merely a full catalogue of the resources of the Empire with the various uses to which they are now and can be applied would require some volumes. What it is most important to remember is that up to the present, notwithstanding all schemes, private and public, which have been initiated during the last twenty years, we have scarcely scraped the surface of the immense resources which are available for the use of man. It is in these vast territories of the British Empire, unaffected as they will be for many generations by the law of diminishing returns, that we have the real basis under a wisely directed policy for raising the world's production up

to a level undreamed of hitherto in the economic annals of mankind.

There are three requisites for development—population, markets and capital. Given conditions of due security for the stability of policy there is not likely to be any lack of capital either from the British Empire itself or other countries interested in these developments. But when we come to the question of population and markets we are at once brought right up against the economic policy of Great Britain. A well-known example of the manner in which the different branches of policy react upon one another—an example so frequently quoted during the recent Imperial Conference—is the dried fruit trade of the Australian Commonwealth. Given the security of the British market by an adequate preference, a great development of the Murray River Pass can immediately take place in Australia. The development thus initiated would provide ample opportunities for new settlers from the United Kingdom and thus help to relieve the population here; and the demand for various classes of goods which would then arise from this development under the system of preference given by Australia to the products of the United Kingdom would at once set to work many places which are now standing idle or are on short time in Great Britain. While I was fighting the election at Swansea last December I was told that the promised grant of the preference at the Imperial Conference just concluded had already led to the placing of orders with the tinplate firms of South Wales from Australia and other parts of the British Empire. It is useless, when the representatives of the Empire have year after year passed resolutions, to which in recent years we have acceded, demanding preference for Dominion products, to say we will do anything else except what they want. The fact remains that in the view of conference after conference, this *is* the method which they believe will be effective, and it is useless to summon

conferences in London on the trade policy of the Empire unless we pay attention to what the Dominion representatives say in these matters. We get back again to where Mr. Chamberlain was in 1903, when he said to me, "I know from my experience at the Colonial Office that this has got to be done." But the justification of this policy does not rest alone upon the fact that the Dominions want it. It is the one policy which economically, in the political and constitutional conditions of the British Empire, can be adopted for linking up mutual interests. The Empire, as I have pointed out, would never entertain the project of a Customs Union or Zollverein. At the other extreme there is the policy of complete freedom of trade within the Empire. There is no economist who would question the proposition that if there were complete freedom of trade within the British Empire, with duties against outsiders, and homogeneous conditions, the productive power of the Empire would be enormously increased. I have already examined this proposition to show how in present conditions it cannot be realised, but a generous scheme of preference, in proportion as it is effective, and it can be made extremely effective, approximates to those economic conditions which every great writer and statesman has admitted to be most favourable to a greater productivity.

We start therefore first of all with the great resources of the Empire, and we build upon that a policy of preference, with the experience behind us that the preferences which have already been established in the Empire have led to an increase of trade to such an extent that Empire trade is shown by the figures to be the standby of British interests.

But the preferences must be really mutual. It will be found to be not economically possible for the Dominions to maintain even the preferences they give already unless we also give their products an effective preference in the markets of Great Britain. Obviously unless we do that,

the economic argument based upon a secure home market does not operate.

If Great Britain is to get due advantage from this policy and really obtain the increase of trade and industry which it should bring about, it is essential that such conditions of security should be maintained in Great Britain for British manufacturers that they can reorganise their works and be guaranteed against the unfair competition from which they suffer at the present time.

I am not aware that any Dominion has ever asked that we should impose tariffs for the express purpose of giving a preference. The Dominions have only asked for preference in respect of duties which are already in operation. There is no reason at all why we should not put on a duty on purpose to give the Dominions a preference in respect of that duty, but as a matter of fact the Dominions will never so far interfere in our fiscal system as to ask that we should put on a duty for that purpose, and they have never done so. I remember very well a conversation I had with the late Sir Wilfrid Laurier at the end of 1905 on this subject, when I ventured to ask him what preferences would be most valuable to Canada. He said at once, "Oh, Mr. Hewins, I could never make any suggestion as to that. I could not interfere in your fiscal policy. I am afraid I could not tell you." And I made no progress with Sir Wilfrid Laurier until I suggested to him that if the Conservatives got into power they would unquestionably put on duties and what would he like in respect of those duties? He said at once, "Oh, now you are talking business."

Generally speaking, the policy of preference is not practicable unless it is in the real interest of the different parts of the Empire. This brings us at once to the position of British industries which I have described. British traders are not taking full advantage even of the preference at present extended to them by the Dominions. In the present state of British trade the

preferences either are not sufficient to counterbalance the superior competing power of foreign countries, or our industries have been so undermined that, as I have mentioned, less than 25 per cent. of British labour is sometimes put into the products we export as British, or the general slackness of conditions here is leading to a perilous want of enterprise which shows itself in the unwillingness to adapt their products to the needs of Dominion markets. The greatest foreign competitor in British Empire markets is the United States. It is too often forgotten that the trade interests of the United States in the British Empire is almost as great as that of Great Britain. This is mainly due to the enormous growth of her trade with Canada, the United States trade with Canada being now roughly five times that of Great Britain. The following table gives the actual figures :—

UNITED STATES TRADE WITH THE DOMINIONS AND BRITISH INDIA

In thousand dollars (000's omitted).

	Imports.		*Exports**	
	1913	1923	1913	1923
Australia	10,420	41,089	43,774	119,564
New Zealand	4,929	15,573	8,594	25,283
Canada	142,128	415,981	403,191	651,921
British S. Africa	3,066	13,423	15,986	28,401
Total Dominions	160,543	486,066	471,545	825,169
British India.....	70,360	127,978	10,996	30,250

*Domestic.

UNITED KINGDOM TRADE WITH THE SAME COUNTRIES

In thousand £'s (000's omitted).

	Imports		*Exports**	
	1913	1923	1913	1923
Australia	38,065	49,068	34,471	57,707
New Zealand	20,388	42,969	10,838	20,695
Canada	30,488	53,448	23,794	27,566
British S. Africa	12,548	15,884	23,057	28,822
Total Dominions	101,489	161,369	92,160	134,790
British India	48,420	67,025	70,273	86,120

* United Kingdom produce and manufactures.

It is obvious from these figures that failing an enormous increase in our Empire trade, the position of the United Kingdom compared with that of the United States must rapidly decline.

But the United States is not the only competitor in British Empire markets. Germany, when she is fully restored will be a most dangerous competitor; France, Italy and Belglum are also gradually building up their interests. It is said that Australia has offers of commercial treaties from seventeen different foreign countries and the treaty movement, interrupted in 1911, will unquestionably be revived.

Compared with the economic forces tending to break up our Imperial trade relations, the schemes already suggested whether by means of financial aid or by such tariff preferences as have been given, are likely to prove of little avail, and it seems to all observers that if this great hope of solving our problems is to fructify, a great effort under powerful leadership must take place in this country. Is it practicable to initiate such a scheme of preference as will secure the objects we have in view?

Our great competitor, as I have observed in British Empire markets is the United States. Now consider the comparative growth in the export of manufactures of the United States and the United Kingdom.

UNITED KINGDOM AND UNITED STATES
EXPORTS OF PRINCIPAL DOMESTIC MANUFACTURES

	1913	1923
India Rubber Manufactures.	£	£
United States	2,846,000	58,765,000
United Kingdom	3,038,000	5,280,000
Iron and Steel Manufactures.		
United States	34,573,000	52,080,000
United Kingdom	55,351,000	76,202,000
Machinery.		
United States	26,562,000	107,636,000
United Kingdom	33,602,000	44,509,000

	1913	1923
	£	£
Cotton Manufactures.		
United States	11,566,000	30,600,000
United Kingdom	126,467,000	177,330,000
Silk Manufactures.		
United States	476,000	2,474,000
United Kingdom	1,705,000	1,777,000
Cutlery.		
United States	246,000	1,053,000
United Kingdom	836,000	960,000
Agricultural Implements.		
United States	13,698,000	13,754,000
United Kingdom	2,796,000	3,194,000
Motor Cars and Chassis.		
United States	5,681,000	23,620,000
United Kingdom	2,864,000	2,850,000
Motor Car Parts.		
United States	1,306,000	13,344,000
United Kingdom	788,000	1,055,000
Total Manufactures.		
United States	235,379,000	453,761,000
*United Kingdom	410,888,000	569,927,000

*Excluding coke and fuel.

This table shows that, from the very immensity of its industries, the United States must have a great advantage in competition with us in any other market.

Now in regard to European countries the present proposition is that Germany should be restored. A restored Germany, which will unquestionably come about sooner or later whether we like it or not, means the restoration and extension of German competitive power and the creation of a great economic block in Europe on a larger scale than we had in 1913. Various little States have been created by the Treaty of Versailles. They may retain, at any rate in form, their political sovereignty and their territorial integrity, but economically they will not be able to resist the economic pressure of a restored Germany. Russia also will sooner or later be restored and owing to the contiguity of Germany to Russia, and other circumstances into which I need not enter, we may take it for certain that there will be some kind of economic agreement between

Germany and Russia, and between Germany and the States of the old Austrian Empire, by means of treaty negotiations and business agreements; and on the basis of that vast home market, Germany will be able to compete in all the markets of the world with an efficiency she has never yet shown. Taking therefore the figures of growth of United States competitive power and the certain competition of Germany based upon a European block in the future, is it possible to create such a scheme of Empire policy as to maintain the economic integrity of the British Empire?

This brings us to the deductions which must be drawn from the review I have given of our industrial conditions. It seems to me futile to ignore the facts of our development during the last thirty years. The forces tending to the comparative decay of Great Britain are permanent, extending over a very long period of time. The phenomena we are witnessing are not confined to the post-war period. It is far truer to say that we are only now experiencing the recurrence of conditions which were temporarily interrupted by the war.

The States of the Empire assembled in Conference have never had any doubt as to the policy which should be adopted. That is defined once and for all in the resolutions of the Imperial Conference of 1917, particularly the following:—

> "(A). The time has arrived when all possible encouragement should be given to the development of Imperial resources, and especially to making the Empire independent of other countries in respect of food supplies, raw materials, and essential industries. With these objects in view, this Conference expresses itself in favour of:
>
> (1). The principle that each part of the Empire, having due regard to the interests of our Allies, shall give specially favourable treatment and facilities to the produce and manufactures of other parts of the Empire.

(2). Arrangements by which intending emigrants from the United Kingdom may be induced to settle in countries under the British flag.

"(B). Having regard to the experience obtained in the present war, this Conference records its opinion that the safety of the Empire and the necessary development of its component parts require prompt and attentive consideration, as well as concerted action, with regard to the following matters:

(1). The production of an adequate food supply and arrangements for its transportation when and where required, under any conditions that may be reasonably anticipated.

(2). The control of natural resources available within the Empire, especially those that are of an essential character for necessary national purposes whether in peace or in war.

(3). The economical utilisation of such national resources through processes of manufacture carried on within the Empire."

CHAPTER XIX

FOOD SUPPLIES AND THE EMPIRE

THE policy so outlined aims at maintaining Imperial security and prosperity both in peace and if necessary in war. Now in regard to food production it may be laid down as incontestable that a return to the old national economic policy of Great Britain as it was before the Free Trade era is impossible. The measures in force for so many generations were not merely protection as defined in the economic textbooks any more than the proposals which have been made in our own time deserve that purely academic description. They formed a great national system affecting food-stuffs, manufactures, navigation laws, and in fact every branch of national life, combining security against external aggression with the constant extension of Free Trade homogeneous areas. It was a great system and in fact led to the foundation of the British Empire. But the part played by the various branches of our national activity in that system could not possibly be taken under modern conditions owing especially to the enormous growth of the Empire itself; and what has been described not very accurately as an insular system must be ruled out for ever. If British agriculture and a flourishing countryside in Great Britain are to be restored it can only be as part of a larger system for making the Empire as the resolution says "independent of other countries in respect of food supplies." The Report of the Agricultural Committee of the Tariff Commission which was

the first complete sketch of agricultural policy after Mr. Chamberlain started his movement, took account of the new situation. In the first place it suggested a moderate scale of duties of 6d. per cwt. on wheat and other cereals with a rebate of 50 per cent. to Empire produce; 1s. 3d. per cwt. on wheat and other flour and meal; an average of 5 per cent on animals and meat including bacon; and specific duties equivalent in general to 5 to 10 per cent *ad valorem* on dairy produce including poultry and eggs, market gardening produce including potatoes and hops, and hay and straw; on all of which preference was to be extended to Empire produce. The corn duty suggested was not protective and was not intended to be so. It gave a slight turn of the market in favour of Empire produce and promised revenue to be devoted to helping agriculture in one form or another. Some of the duties on other agricultural produce would have given some slight protection to the British grower but in the main these duties were simply revenue duties with a preference to Empire produce, the yield from which would have provided the resources for carrying out various schemes of State organisation, provision of traffic facilities, relief of local taxation, and other schemes which were recommended. It is unfortunate that the corn duty, when it was first imposed, was not kept on. It would have done not the slightest harm to consumers' interests and would have been a valuable experiment with a view to further action if the country thought fit to take it. It is still more unfortunate that the very moderate scheme I have outlined never had a chance of a trial. It is a mistake to blame the people of this country for the failure to try the policy. The people are dependent upon their political leaders and the press for the formation of their opinions, and if we have reached the stage in democratic development when some leaders cannot be relied upon to stick to the policy they have adopted, and other political

leaders deliberately use their gifts to play upon the prejudices and fears of the poorest of the people, it is of course impossible to embark on such an enterprise as the organisation of an Empire.

Twenty years ago the British Empire was not self-sufficing. When the Imperial Conference passed the resolutions which I have just quoted, in 1917, it had certainly become capable of being so, although during the war Imperial interests were neglected, perhaps necessarily in view of the international conditions which we had to deal with. Since the war the Empire has become quite self-sufficient. The production of wheat in Canada alone is sufficient to supply all the needs of Canada and Great Britain and still leave a large margin of production for export to other countries, and the problem for Canada is in reality how to find a market for the enormous yield of wheat of which she is capable. In addition to that there are the large supplies of wheat from Australia, India and other parts of the Empire. In face of these facts it is not possible to frame any scheme which would do much to restore Great Britain as a wheat producing country and there can be no question of the imposition of a protective duty on wheat for that purpose. What should be considered, and that very carefully in view of the reciprocal advantages which would at once accrue, is the imposition of a preferential duty on wheat to give our Dominion produce an advantage over that of foreign countries. So great are the potentialities of the British Empire in this respect that the idea that any rise of prices affecting the British consumer could take place from such a preferential duty is childish.

With regard to barley and oats, the position is very different. In the first case our home production is from 63 to 68 per cent. of the estimated supply, and in the second case 83 to 84 per cent.

As we have seen we spend an enormous sum in the

importation of meat of all kinds from foreign countries. At the same time our home production is only about 43 per cent. of the supply of beef and veal, 34 to 37 per cent. of mutton and lamb, and of pig meats 36 to 42 per cent., while the supply from Empire sources can be indefinitely increased.

As to potatoes, the home production is 94 per cent. of the supplies, poultry 63 to 69 per cent., eggs 40 to 42 per cent., and milk and milk products 45 to 46 per cent.

The resolutions of the Imperial Conference involve the whole Empire as their conception of the home market, and prudent statesmanship directed to the increase of the manufacturing activities of the Empire would at the same time develop home production and transfer a large part of our expenditure, now lavished on foreign articles, to the British Empire.

Whether the necessary preference on all these classes of agricultural produce should be effected by means of duties, subsidies, bounties, transport facilities, or by other means, is a matter for consideration in regard to each particular class of products, and under the present conditions what is wanted is really a free conference between the business representatives of the British Empire, by which I mean that there should be no bar placed upon the consideration of the use of tariffs as a method of organisation if they should be desirable on business grounds. Tariffs with a preference to the Dominions are to the knowledge of everyone by far the simplest economic method of giving the Dominions the advantages they want in the British market to their food products and of enabling British agriculturists to extend their production in the articles where the fertility of the soil and the contiguity of the market give them the greatest potential advantages. The advocacy of subsidies has generally been taken up by those who realise the unfortunate position to which agriculture has fallen but are afraid to face the tariff situation.

It is not possible to devise a system of subsidies which will equitably affect the different classes engaged in agriculture, or to administer them without undue favouritism. The only method of giving a general stimulus to all classes is by a national policy of tariffs, simple in its operation which everyone can understand. Other schemes of organisation affecting marketing and markets would grow naturally upon the adoption of this policy. This is of course the economics of the question. There is probably no prominent statesman in Great Britain at the present time who would not admit that in his general aims Mr. Chamberlain was right. England has always been sound on these matters and there has always been a majority in favour of the ideas of Mr. Chamberlain. I cannot but think that if the situation were fairly placed before the country by people who believe in the rightness of their cause and will not give way because of temporary gusts of opposition, these great measures for the restoration of agriculture would be eagerly adopted and we should see not only the restoration of agriculture which itself means a widely extended home market for our manufactures, but flourishing by-industries established in country districts and progressive country towns. These country towns in times past have produced the finest and most all-round type of handicraftsmen for the carrying out of industrial enterprise.

As for raw materials no responsible statesman has ever suggested a duty upon them so far as I am aware. Generally speaking it is contrary to the practice of the States which have the most complicated tariffs to have duties upon raw materials. If we provide for agriculture and manufacturing enterprise we need not fear a dearth of schemes for the development of raw materials. Capital, enterprise, and population will be forthcoming for these objects but it is useless to try schemes for the development of our Imperial supplies of raw materials in the absence of the policy which is necessary to make the

production of these raw materials a profitable undertaking, and we may safely say, as we know already in the case of our own Dominions, that failing the adoption of the most important part of an Imperial policy the development of these supplies will not take place.

CHAPTER XX

TARIFFS AND MANUFACTURES

WHEN we come to manufactures we have an entirely different case from that of agriculture and food supplies. The decay of agriculture and the agricultural population extends over a long period of time and is due to certain significant causes in the mischievous character of the general economic policy and the regard in which agriculture has been held. In the case of manufactures there is a direct and immediate relation between the volume of unemployment at the present time and the unfair conditions which prevail in industry, and there can be no question whatever that if manufacturers were guaranteed the necessary security by an authoritative declaration on the part of the Government, followed by specific acts giving the security they want by the means of a tariff, there would be an immediate increase in the contracts undertaken and the orders fulfilled. Many manufacturers would even now undertake contracts at a loss with the view of keeping their skilled workmen together and their works running, if they knew that in a year or two's time the conditions would not be altered and that they would be able to build up anew their enterprises on the basis of a great national and Imperial policy.

I am in agreement with those who think that tariffs must only be put on in regard to those industries and those conditions where it is known by investigation that such a remedy is required. I am no advocate and never have been of a uniform tariff imposed without regard to the actual conditions which prevail. The whole genius and intention

of the Tariff Commission was to make such an investigation and it made it by surveying every industry in the country. This investigation, first undertaken by the Tariff Commission, has been followed by the accumulation of vast stores of information in the Government Departments about every aspect of British economic life. If Mr. Chamberlain had to commence his campaign over again it would not be possible for anyone to say that he might win the election and yet be prevented from reaping the fruits of his victory. In the present state of the expert information of the Government Departments, not to mention the immense stores of information in the hands of other bodies, technical and professional, there can be no doubt that a victory favourable to the policy I have outlined could be followed by immediate action. Or to put it another way, if Mr. Stanley Baldwin had won the last election he could have introduced a Tariff Bill in January, and a Tariff Bill framed not upon some general notion that protection was desired, but a Bill suited to the needs of the industries which required it. The circumstances of different industries vary, but in fact if we survey the fifteen groups of industries, and by saying that I mean not a general survey, but one based upon a detailed classification of all the processes employed therein, there are very few branches of industry carried on in Great Britain which are not subject to what has been officially defined as "unfair competition." I have already referred to the lists of competing articles which were compiled by the Tariff Commission. I am not sure how far the Government Departments have such lists, but those which have been already compiled are easily available if they are required, and there is scarcely one of our great industries which would not respond in increased activity to the imposition of a tariff.

The case of cotton is peculiar, although it is astonishing to what an extent competition in the home market has

grown in recent years even in the cotton trade in certain branches of manufacture; but speaking generally, the cotton trade does not require the imposition of a tariff. The cotton trade would benefit from the policy I am outlining by the employment of better methods of negotiation in our relations with foreign countries and by the institution of a wide system of Imperial preference. Iron and steel, engineering, all the textiles except cotton, and practically most if not all the remaining great groups of industries in this country, require more or less the use of the tariff machinery to rescue them from their present condition. The basis of the imposition of a tariff is the construction of a proper scheme of classification. The Board of Trade classification in use in the Customs Returns is not arranged with a view to the imposition of a tariff, and throws scarcely any light upon the mutual relation of the different grades in the industrial processes. But we are not limited to the Board of Trade classification. The whole of British industry has been mapped out in the greatest detail with the aid of the best experts who can be found in the different trades, arranging every part of it in due order and relationship to every other part, to such an extent that if the general scale of duties to be imposed is decided upon, the adjustment of that scale to the different branches of industry is perfectly simple. Whether the duties should be *ad valorem* or specific is a debatable point upon which there has been much controversy. There are almost, we may say, great schools of opinion on this subject not only here but in foreign countries as well, but so far as Great Britain is concerned it is quite certain that we should only commence a tariff policy by the imposition of *ad valorem* rates of duty, because until a simple tariff has been in operation for some time and the articles imported have been properly scheduled it is not possible to know in sufficient detail for the calculation of specific duties, either the precise character of the articles themselves, or the

class in which they fall, or the conditions under which they are imported. This simplifies the process of tariff making considerably. The collection of information on a sufficient scale to impose specific duties is entirely out of the question at present, because it would involve the collection of a vast amount of information from foreign countries where it cannot be obtained.

While then we cannot introduce specific rates on the initiation of a tariff policy, it is a matter for discussion how far afterwards, with the growth of experience and knowledge of the articles, specific rates should be substituted for *ad valorem* rates, but at the outset of the policy the tariff would have to be an *ad valorem* tariff. For much the same kind of reason we cannot at the outset adopt what looks like the simplest expedient and impose a moderate duty of a flat rate all round. The imposition of such a duty would give an undue advantage to the producers of the lower grades and more half-finished goods, and establish a positive disadvantage to the producers of the finished goods, whom particularly we desire to encourage, and the higher the duty the more glaring would be the inequalities produced by it. The 33⅓ per cent. flat rate of the Safeguarding of Industries Act is a mistake. The duty should have been graded according to the needs of the different articles and the grades of production of those articles, but for some mysterious reason there are a great many people in England who think that a simple but inapplicable expedient is far more justifiable than one devised with some thought to the particular needs of the industry. Then for the same kind of reason again the duties put on at the beginning must be low. High duties and high differences of duty upon different grades would lead to much the same kind of confusion as the flat rate. As far as I can see, and my view is reinforced by my experience upon the Tariff Advisory Board, the original scale of duties suggested by Mr. Chamberlain's

Tariff Commission is the proper one for present circumstances, that is a scale of duties ranging, roughly speaking, from 5 to 20 per cent. *ad valorem*, graded according to the cost of labour in the processes employed. Such should be the normal rates of duty, but it will be said at once that such rates of duty are totally useless in the prevailing conditions of exchange and other factors which may be summed up in the term "unfair competition." I do not agree with this opinion, because in considering the effect of a tariff system we have not to consider the whole trade involved in any particular article but what we may call the marginal trade. Where foreign works are, as we know, constructed on the hypothesis that a certain proportion of their surplus produce can always be dumped into the British market, a very moderate tariff in this country will go far to upset their economy and produce fairer conditions of trading. But there is no reason why special machinery for dealing with the worst kinds of dumping should not be added to the tariff system as they do in Canada and other countries. In fact, generally speaking, it is not possible to work anti-dumping laws with complete success, unless there is a tariff machinery in operation, and a clause could be introduced into the Tariff Act which would provide the necessary means for employing more drastic action in the worst kinds of dumping.

There are two important features of a tariff such as I have described which must be kept in view. I have already said that no one contemplates duties upon raw materials and as for the duties upon what are called half-finished goods they will adjust themselves naturally to the conditions of industry under a graduated system such as I have outlined. The first of these important features is the extent of the Free List. I am not aware of anybody who wants to put on a tariff where it is not necessary and all the tariffs in the world contain long lists of articles upon which no duty is imposed, consisting not only of raw

materials, but many manufactures which are not produced in the country imposing the tariff, or for some other reason; and any British tariff would contain a long list of articles imported duty free. The second feature of the tariff is determined by the Imperial Conference resolutions by which we are bound to give a preference in respect of all duties which are imposed in this country. What that rate of preference should be must be a matter for discussion. My own view is that just as the Dominions have given a preference to us without bargaining for any reciprocal advantages, so without question or demur we should give to the Dominions a very substantial preference in regard to every duty which we impose but without hint of a bargain in the matter.

We therefore arrive at the conclusion that the tariff would consist of a number of duties on a low scale on a variety of manufactures in most industrial groups, but there would be a large free list and a clause providing for drastic action against countries which dump their goods into our markets on flagrantly unfair conditions and a clause giving a preference to Empire countries in regard to every duty imposed. The next question to consider is the manner in which international action would affect such a British tariff. The moment it becomes certain that Great Britain will establish a tariff such as I have described every country in the world will approach the Government of Great Britain with a view to a commercial treaty and the question therefore arises how we are to use such a tariff for the purpose of negotiation. We cannot imitate the policy of the United States with its single tariff and practically no treaties. Commercial treaties have been made in the world for about 2,000 years and are one of the most familiar expedients for extending commerce in the whole history of Western civilisation. We could not follow the precedent of the United States, great as the people of that country may be.

If France or Italy, or any other country, approached us with a view to a commercial treaty, we could not refuse to enter into negotiations, and the question therefore arises on what basis those negotiations are to be conducted. The plan which Mr. Chamberlain liked was that the tariff as I have described it should be in general operation with a higher tariff against countries which would not grant conditions suitable for the lower rate. In actual working, this would work out in the following manner. Sufficient notice would be given to all the countries of the world as to the imposition of a tariff in this country by its introduction into Parliament, and according to Mr. Chamberlain's idea a Tariff Bill to impose duties of the kind I have described, together with a penalty tariff against countries which would not give Great Britain fair conditions. The introduction and passing of the tariff would, I presume, take a complete session of Parliament, and due notice would have to be given of the coming into force of tariff rates. It seems to me it would be impracticable in such a short interval of time to negotiate numerous commercial treaties. By the time the tariff had passed Parliament the negotiations would certainly not have been concluded. In these circumstances the scale of duties I have indicated would remain in force for all countries pending the conclusion of negotiations and the higher tariff would remain in the background as an indication of what would take place if satisfactory arrangements were not made. This is one plan.

A second plan would be the adoption in the first instance of a higher scale of duties with the intention of bringing that tariff down to the lower scale by the conclusion of conventions with foreign countries. Roughly speaking, this proposal would mean the adoption either of the general and conventional tariff system of Germany, or the maximum and minimum tariff system of France. But as there is no idea in Great Britain of embarking on a great tariff crusade

in the world, and as we want to keep our tariff low, except in well-defined cases where it is desirable that a higher tariff should be used, the weight of opinion is against this system, and in support of Mr. Chamberlain's idea. But one of the most important consequences which follows from this plan of negotiation is the effect it must have upon the most-favoured-nation clause. I have already explained the difference between the American and the British interpretation of the most-favoured-nation clause, and the difficulties the British interpretation has caused in the British Empire. The general tendency in the world at present is against the British interpretation. To give a concrete instance the weight of opinion in Great Britain would be against extending to the United States of America under the Treaty of 1825, automatically and without compensation, advantages such as we might give to France or other countries which granted concessions to us. The feeling has grown that concessions must be in return for reciprocal advantages, and I am sure the weight of opinion would be that if the United States wants a lower scale of duties from Great Britain they must bring down the American tariff.

The negotiating power of a tariff with any one country is enormously weakened if it is known that any advantages given are to be extended automatically to other countries, and this automatic extension of advantages under the British interpretation of the most-favoured-nation clause is followed by such inconveniences that it has led to grave abuses in the tariffs of all countries, which try by specialising their tariffs and by all sorts of dodges in classification, and in the customs regulations, to escape from their treaty obligations. It would tend to better conditions and a more straightforward and simple method of using the tariff if we resorted to the historic English tradition and gave no tariff advantage to any country which did not give us reciprocal concessions. Such an alteration in the

interpretation of the most-favoured-nation clause would be extremely popular throughout the British Dominions.

It is often said by Free Traders that a tariff such as I have described would handicap our manufactures for export by raising the cost of the half-finished and other articles which we use in the production of these goods. People who put this forward are surely unaware that in almost all tariffs special regulations are adopted to get over this difficulty, either by a system of drawbacks or other methods which would admit such articles duty free. The German tariff has always contained stipulations of this kind and no one can suggest that the German tariff hampers German exports. But on the extremely low scale of duties which I am suggesting it is really very doubtful whether any such special expedient would be required. I do not take such a poor view of the potentialities of British industries as to suppose that they are not capable of an enormous expansion, and given the security which I am suggesting in the home market, I believe the cheapness of the result in British processes would more than counterbalance any other disadvantage. But if special regulations are required to guard carefully against any possible hampering of the export trade of particular manufactures through the imposition of duties upon goods which are used in the process of manufacture, it is well to know that these cases have been well considered and that the machinery can be provided for dealing with them.

CHAPTER XXI

AN IMMEDIATE POLICY

THE immediate and practical application of the policy which I have outlined raises many questions of great importance not wholly political or economic. In this country where economic education has been greatly neglected and few people, even in the governing classes, are really acquainted with the continental aspects of economic questions, it is extraordinarily difficult to make the public understand the real relations between economics and politics. But the great economic movements I have been describing work themselves out whatever may be the views of the politicians. In economic affairs we are dealing with vast crowds of people all over the world, whose action is governed not by far-seeing statesmanship but by their immediate interest as measured in terms of money in connection with particular bargains. They do not know and they do not desire to know, what may be the effect upon world movements of the individual actions of innumerable people acting very much as they do themselves. Nor is it possible to give direction to such movements except by great national policies which affect all the people in the community even though they do not know it. In the course of our history there is little sign in the laws upon our statute book or in any other direction of the influence of the fleeting party views of the moment on the general direction which economic movements have taken. The Wars of the Roses, the great Civil War, the great wars of the 18th century, the political changes of our own time, do not seem to have deflected by one iota the course of the economic movements that have taken place and we may

almost write the history of the economic development of England without reference to any one of its party leaders. It seems therefore that it is not party politics which concern the direction of economic movements; it is the economic movements which determine the fate of parties. Government after Government goes down unless it can solve problems which are not of its invention at all, but arise from the economic problems of the time. Unless we can drive it home not amongst the great masses of the people, for that is out of the question, but at least amongst the leading members of the governing classes, that their ever-changing views have little to do with the mysterious forces the resultant of such countless individual acts which are moulding the history of the Empire, we shall never make any progress in determining the proper attitude of political parties to these economic questions.

I have more than once alluded to the way in which the very important historical fact was received by the world that Great Britain had for the first time in her history fallen to second place in iron and steel production. Only a little political or economic legerdemain was required, it seemed, to reverse the course of events, but that has not taken place, and we may be perfectly certain that we can never return to the position of affairs as it was when Mr. Chamberlain launched his movement; we can never wipe out the results of the defeat of 1906; we can never compensate for the loss incurred by the deficient leadership of the period which followed; we can never again bring the Empire back to where it was in the Conference of 1923. A new situation has arisen and whatever measures are adopted they must be made to suit the new conditions which have been created by successive failures.

Since 1918 the electorate has been flooded by vast numbers of new voters, especially women. Those who had been more or less educated in the economics of our situation between the years 1903 and 1924 form now only

a small minority of the population. The vast majority of the people had never heard of these questions in any real sense until the last general election and since it takes several weeks before even the most striking event can become really popularised in a great country like England, most people when they voted at the last election were only dimly if at all conscious of what they were really voting upon because there was no time to show them. This disadvantage has not been remedied since last December. There was a doubt in the minds of most people who did understand what the election was about as to what the political leaders really meant. The opponents of Mr. Baldwin's policy said they stood for Free Trade. Did they? All the prominent leaders had voted for Protection in one form or another. There is not a single prominent Liberal at the present time who has not been more or less mixed up with Protectionist measures in the course of his life, especially Mr. Asquith. If therefore they say they stand for Free Trade, what do they mean? No definition has been forthcoming. The economics of the Labour Party is Protectionist through and through, so much so that we have always held the view that if a Labour Government really obtained an absolute majority, they would probably signalise their tenure of office by introducing a prohibitive tariff. The Conservative Party has always been Protectionist and will remain so.

Now in this uncertainty, ignorance of policy, and the real difficulties which surround the political situation, what is the right attitude to assume towards the economic policy which the facts plainly suggest? It seems to me that first of all it is essential that this country should make it clear beyond all possibility of misapprehension that by some means the preferences which the Dominions desire, and which we know are necessary for safeguarding the interests of Imperial trade, shall beyond all question be given. A declaration to this effect in circumstances

which would make it an absolute pledge by which the political leader who gave it would stand or fall and act up to his declaration, as Mr. Chamberlain did, would ease the situation in the British Empire to an enormous extent. Provided this declaration is made it is not necessary, it is not even possible, to carry out in a moment all the steps which its fulfilment requires; but it is necessary to show by definite acts that the pledge is a real one, and this means that in no circumstances at all shall we refrain from fulfilling the terms of the resolutions which have been carried at the Imperial Conference. It will be remembered that the Dominions have never asked us to put a duty on in order to give a preference, but the resolution agreed to by all the Governments of the Empire does require that we shall give all the preference that is possible in respect of duties which we have in force. Whether, and how far, this system of preference is to be extended by means of tariffs is a purely practical business question. It does not really matter how it is done so long as it *is* done. My own personal view is that a tariff preference is the best and most efficacious method of accomplishing the end in view, but no one who cares for the cause would take his stand merely on a question of that kind, and whatever method can be devised for securing the preferences to which we ought to be pledged by free consultation between the representatives of the different Governments of the Empire, would command my approval, and I believe that of every other supporter of the movement. The only qualification of this expression of approval which I should make would be that tariff preferences are not to be avoided simply because of the want of courage of the politicians. From the investigations and negotiations I have had, I am certain it will be found that tariff preferences are by far the easiest and fairest method of securing the object we have in view. I do not think we should find excuses for inaction in the fact that the Dominions have never

definitely asked us to put a duty on for the express purpose of giving a preference to them. It would be a legitimate measure of high policy to do so if business considerations suggest that course. I put the securing of the position within the Empire first because it is obvious from the figures I have quoted that if we lose our Empire trade we cannot solve the trade question at all. There is no chance of restoring Great Britain as an economic unit to a position of commercial predominance in the world. That is ruled out for ever by the progress of other countries. We must therefore look to the organisation of the British Empire as the future guarantee for the security of the British race and all that it involves. Therefore I put that first on the programme as a question upon which there can be no compromise whatever.

Next to this declaration of our Imperial attitude I put the immediate relief of the problem of unemployment. That will not wait for the evolution of great schemes of economic policy extending over a long period of time. The remedy whatever it is must be immediate. Therefore whatever may be the result in the long run of the decay of agriculture upon the general economic position of Great Britain the first domestic step that we have to take in this country is to safeguard the position of the great British industries. On that there can be no doubt. If the Safeguarding of Industries Act had been devised solely with a view to the solution of the problems for which it is designed, that Act would have been so drafted that it could have been freely utilised for this purpose. As a matter of fact in the passage of the Act through Parliament one group after another tried to introduce and to a certain extent did introduce such qualifications into the measure as to deprive it of almost all practical utility. When people say that Mr. Baldwin ought to have been content with putting into operation the Safeguarding of Industries Act and not have appealed to the country for wider powers

they surely do not quite understand the limitations of that Act of Parliament. Apart from the impossibility of obtaining information such as is required by that measure the official view was that no action could be taken under the terms of the Act except against Germany because of the operation of our commercial treaties. That is not my own view but still it was the official view and it certainly requires some ingenuity to get round the provisions of the measure itself. But the idea that it was possible for Mr. Baldwin's Government to deal seriously with the problem of unemployment under the machinery of the Safeguarding of Industries Act is groundless. The Act is too incomplete, too impossible to work, too limited in its operation, to supply the basis of effective legislation to deal with the gigantic problem we have in hand. Therefore it was not possible to act effectively within the four corners of the Safeguarding of Industries Act. Its principles are sound enough, and as these principles were accepted by Parliament and all the rest of the Act is mere machinery we are in a position to say that the country has already accepted everything we require to enable action to be taken not within the actual terms of the Act but in accordance with the principles of the Act; and any Government, Conservative, Liberal, Labour or Coalition, is entitled, in view of the acceptance of the principles of this Act to introduce whatever tariff may be necessary to achieve the object for which it was passed. My view certainly is that without asking for any further powers from the electorate the responsible leader of any party which happens to be in power should forthwith introduce such a tariff as the circumstances require to prevent these great industries from being undermined by foreign competition.

The tariff must be effective. That is, it must be, and must be shown to be, of such a character that it will stop the unfair competition which is causing the unemployment at the present time. The practical question which arises

is, Can that be done? When Mr. Chamberlain started on his campaign it could not have been done owing to the deficiency of information, but at the present time we are not under that disadvantage. We require no more committees of investigation. The information in the hands of the public departments is sufficient for the purpose. The further investigation or inquiry may come with a view of substituting specific for *ad valorem* duties after the tariff has been in operation, if that course is desirable, but for the immediate purpose in hand everything is in the possession of the Departments and if the Labour Government or any Government chooses to introduce a tariff they can do that at a month's notice. If Mr. Stanley Baldwin had won the last election he could have introduced his Tariff Bill in the following January. The position of affairs remains as it was then and there can be no excuse in the state of preparedness of Public Departments for postponing action which has become absolutely necessary. In recent declarations of policy it has been suggested that every industry should be separately examined with a view to considering whether a tariff is necessary. When Mr. Chamberlain started the Tariff Commission and they proceeded from sheer necessity to obtain the information required by separate investigation of every industry, the Free Traders complained of that course as being likely to lead to abuses. This proposed long investigation, industry by industry, is now unnecessary. The official Departments have quite sufficient information at their command for the purpose of framing a tariff to be imposed only in such industries where the conditions require it. All the supplementary information that is needed will be forthcoming from the trades themselves on the introduction of the Tariff Bill, and there can be no excuse in the present state of our information for delaying action by appointing a number of committees of investigation. I have never yet met anyone who desired to put a tariff on merely for the sake

of imposing it. On the contrary I have always found the movement has been the other way amongst the Tariff Reformers of my acquaintance; that is, to abstain from the imposition of duties wherever it is desirable.

Thirdly, under the Imperial Conference resolutions to which we have agreed, we are bound to grant automatically preference to the other parts of the Empire.

If these three steps were taken immediately, (1) the unequivocable declaration on preference; (2) the carrying into effect of the Imperial Conference resolutions; and (3) the immediate introduction of, or the determination to introduce immediately, an effective tariff for stopping the unfair competition at present prevailing in British industries, my belief is that it would go far to restore confidence throughout the British Empire and the volume of unemployment would show immediate signs of diminution.

These steps, which can be accomplished rapidly if the political leaders care to do it, would be followed at once by a new set of conditions. In the first place the question of agriculture would be forced to the front by the very declaration of policy. It is not possible for a British statesman to say deliberately that he will abandon British agriculture; it remains our largest industry, and he cannot get the votes of the counties unless he has an agricultural policy. The attitude of all parties at the present time to this question is that they will not have what are called food taxes, and I agree that it is not desirable to levy the real food taxes we impose at present under the principles of Free Trade finance, and even seem to add to that burden by proposing duties on agricultural imports, though there may be no risk at all that they will raise prices. Therefore the full solution of the agricultural problem turns upon the manner in which the reform of our fiscal system is taken in hand. To take all the money we do by taxes which no one can escape, upon the food of the people, is indefensible. The

system has taken a long time to grow to its present scandalous proportions and it will no doubt take a long time to return to a reasonable situation, but these existing duties have to be reduced and the reduction of these existing duties is bound up with the general reform of the present fiscal system. So it seems to me that pending that general overhauling of the present system temporary methods have to be devised by which agriculture in England can be adequately supported until the complete reform of our existing duties can be taken in hand. I do not know how long the period will be but during the interval, unless we are to forsake agriculture altogether, we have to use our finance and credit to give proper support to British agriculture.

A reform in this direction of fundamental importance is the transport system, especially the incidence of railway rates, but we cannot offer that as an alternative to any other scheme because it cannot be undertaken in sufficiently short time to be of any immediate importance. The manner in which the rating system in English railways has grown up makes it impossible to change it in any short time in a manner which would benefit home production. It should be taken in hand but the solution of the problem will be spread over a long time. Therefore there is no immediate way of helping agriculture except by methods involving financial expenditure.

As soon as it is clear that Great Britain is about to introduce an effective tariff the Government will be approached by all countries with a view to the negotiation of commercial treaties so that the precise form of tariff which is to be adopted to deal with these questions of negotiation must be decided before the tariff is introduced. I have already explained the considerations which have to be kept in view and need not further enlarge upon them. With most countries my impression is that it would not be very difficult to arrange a suitable treaty. I think

the United States presents some difficulty owing to the very exclusive policy which they have always pursued and still pursue. That case is dealt with by the suggestion I have made that we should re-adopt the interpretation of the most-favoured-nation clause which has always been followed by the United States. They could not object to our following the precedent which they themselves have set, and this might lead to an arrangement of the greatest benefit both to the British Empire and to the United States, and pave the way for the restoration to the British family, economically at any rate, of our great sister country across the Atlantic. If these measures are undertaken with vigour there will be an immediate increase in the productivity of the country and the financial problems under which we live will be lightened in two ways. In the first place the yield of existing duties and taxes will be greater—by how much it is impossible to say until we have actually before us the tariff scheme which the Government we have in our mind will introduce—but the experience of existing duties shows what a very large revenue there is to be obtained from these sources. But I attach even greater importance to the greater revenue which will be obtained by the advance in prosperity of the country. The existing direct taxes will become more remunerative. The burdens of the great war we had with Napoleon were proportionately quite as heavy upon that generation as those we have in the Great War from which we have just emerged, but Pitt and his successors made the burden seem relatively light by the measures they adopted for the increase of the trade of the country. If anyone at the beginning of the nineteenth century had said it was possible to increase the national income ten-fold in less than a hundred years he would have been laughed at as a fool, but that was precisely what took place. With the vast resources at our command in the British Empire it is surely not too much to anticipate that we can increase the

national income three or four-fold, and that would solve our financial difficulties.

With that as a basis any number of social schemes can be built up with confidence, but without it we can do little. The policy is practical. It can be applied immediately. It would be accepted by the country. And the ultimate factor in determining whether we move along this line or not is neither political nor economic but moral. No one doubts that if Mr. Chamberlain had retained his health and had been able to go on with his crusade he would long ago have won his cause. At the present time we may say that the British people do not primarily vote for policies; they do not really understand them; they vote for the men in whom they have confidence, and provided we have the leaders who will sacrifice all rather than for an instant betray the interests of the great Empire for which they are responsible, there is no doubt whatever as to the future of the country.

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APPENDIX

OUR PRESENT TARIFF

DUTIES levied on goods entering the United Kingdom at the present time can be broadly divided under two headings, those " Protectionist " in intention or effect, and those of a purely revenue character, to which countervailing duties exist in the case of British-produced goods.

Duties of the " Protectionist " order are as follows :—

(*a*) " McKenna Duties," first imposed during the war to check importation of what were then classed as luxury articles. Duty at the rate of 33⅓ per cent. *ad valorem* on the following (a preference of one-third being granted to Empire-produced goods).

Clocks, watches, and component parts ; cinematograph films, motor-cars, motor cycles, etc. (other than those for commercial use) ; motor-car accessories and component parts, except tyres, musical instruments, and accessories.

The value of any article for the purpose of *ad valorem* duty is the price which an importer would give for the article where delivered, freight and insurance paid, in bond at the port of importation, and duty value is fixed by the commissioners of Customs and Excise. Cinematograph films are charged according to the linear measurement involved.

(*b*) " Key Industry " Duties, imposed under the safeguarding of Industries Act. These will expire in October, 1926, unless their tenure is prolonged by further legislation. No duty is payable on imports from the Empire. Imports from all other oversea countries are charged *ad valorem* at the rate of 33⅓ per cent., in the case of the following classes of goods :—

Optical glass and optical instruments ; beakers, thermometers, etc. ; galvanometers and instruments of precision ; wireless valves, ignition magnetos, arc lamp carbons, hosiery latch needles ; metallic tungsten and compounds of thorium and of other rare earth metals ;

and all synthetic organic chemicals (other than synthetic organic dyestuffs, colours, and organic intermediate products imported for use of such), analytical re-agents, fine chemicals, and chemicals manufactured by fermentation processes.

Key industry duty is chargeable only in so far as it exceeds other Customs duties, except depreciated currency duty.

(*c*) Depreciated Currency Duty. This is also applied under the Safeguarding of Industries Act, and will expire in August unless renewed. The duty has so far been applied only to goods of German manufacture, and is at the rate of 33⅓ per cent. *ad valorem* on the following main classes:

Fabric gloves and glove fabric in the piece or cut out for sewing; domestic glassware; illuminating glassware; domestic hollow-ware or aluminium, or steel or wrought iron enamelled; and incandescent mantles and component parts.

The main groups charged with duty for revenue purposes (Empire goods enjoying a rebate, in the instances indicated,* of one-sixth of the duty payable) are these:—

Beer, playing cards, coffee and chicory,* cocoa, preserved fruit,* matches, spirits (small Empire preference), sugar,* molasses,* glucose,* and saccharin,* articles containing sugar or sweetening matter,* table waters, tea,* tobacco,* wine. (Empire wines pay duties varying from 50 to 70 per cent. of full rate).

UNITED KINGDOM. IMPORTS.

(In Thousand £)

	1913	1922	1923
	£	£	£
Food, Drink, and Tobacco	295,149	471,881	510,532
Raw Materials	269,940	298,338	324,953
Manufactures	201,039	229,749	257,109
Other	2,606	3,129	5,421
Total	768,734	1,003,097	1,098,015

Imports of foodstuffs in 1923 increased by £38,651,000, as compared with the previous year, and imports of raw materials by £26,614,000. Imports of manufactures were £27,360,000 in excess of the imports in 1922.

The chief increases in imports of manufactures were:

	1922	1923	Increases
	£	£	£
Iron and Steel	10,419,000	13,782,218	3,362,790
Non-Ferrous Metals ..	18,161,935	25,625,954	7,464,019
Machinery	8,169,786	9,331,660	1,161,874
Cotton Goods	6,838,683	8,714,586	1,875,903
Woollen Goods ..	9,307,966	11,770,406	2,462,440
Silk Goods	21,331,159	22,924,385	1,593,226
Other Textiles	10,683,769	14,216,752	3,532,983
Apparel	14,173,645	16,566,973	2,393,328
Chemicals, Drugs, etc.	11,378,682	13,462,447	2,083,765
Paper and Cardboard ..	12,373,697	13,592,477	1,218,780

In 1913 imports of foodstuffs formed 38 per cent. of our total imports, and raw materials 35 per cent.

These proportions changed in 1923 to: foodstuffs nearly 50 per cent.; and raw materials less than 30 per cent. of the total imports.

IMPORTS AT 1913 PRICE LEVELS.

	Jan.–March		Oct.–December.	
	1913	1924	1913	1923
		(In Million £'s)		
Food, Drink, and Tobacco	62.3	81.8	75.9	90.1
Raw Materials	59.9	44.3	63.9	50.5
Manufactures	42.2	38.9	43.3	39.2

During both quarters imports of foodstuffs were considerably above the 1913 volume.

During the first quarter of 1924 imports of raw materials decreased by over 12 per cent. as compared with the preceding quarters, while imports of manufactures were only slightly lower than the figure for the previous quarter.

During the March quarter of 1924 raw materials formed only 26½ per cent. of the total imports, as against 36½ per cent. during the corresponding period of 1913.

UNITED KINGDOM. EXPORTS.

	(In Thousand £'s)		
	1913	1922	1923
	£	£	£
Food, Drink, and Tobacco ...	33,876	36,301	44,345
Raw Materials*	66,173	107,169	140,908
Manufactures	413,820	563,320	569,926
Other	11,384	12,717	12,149
Total	525,253	719,507	767,328

*Including Coke.

Exports of foodstuffs in 1923 increased by £8,000,000 as compared with the preceding twelve months, and exports of raw materials increased by £34,000,000. Exports of manufactures were £6,600,000 above the 1922 figure.

The chief increases in exports of manufactures were:

	1922	1923	Increases.
	£	£	£
Iron and Steel	60,861,674	76,201,990	15,340,316
Non-Ferrous Metals ..	11,523,475	14,514,858	2,991,383
Electrical Goods	7,317,830	10,226,524	2,908,311
Woollen Goods ..	58,478,184	62,643,661	4,165,477
Apparel	22,566,674	26,405,048	3,844,374
Chemicals, Drugs, etc. ..	20,269,215	25,690,574	5,421,359
Paper and Cardboard ..	6,747,765	8,770,256	2,022,286

The chief decreases were:

	1922	1923	Decreases.
	£	£	£
Machinery	51,538,574	44,509,263	7,029,311
Cotton Goods	186,920,477	177,330,268	9,590,209
Vehicles	49,504,206	27,780,256	21,723,950

UNITED KINGDOM. EXPORTS OF DOMESTIC PRODUCE.

Values on Basis of 1913 Prices.

	Jan.–March.		Oct.–December	
	1913	1924	1913	1923
		(In Million £'s)		
Food, Drink, and Tobacco	6.9	7.5	10.6	7.3
Raw Materials	15.5	15.1	17.4	18.1
Manufactures	102.5	76.0	102.6	82.1

During the last quarter of 1923 exports of manufactures attained 80 per cent. of the 1913 volume; this percentage dropped to 74 during the first quarter of 1924.

UNITED KINGDOM. OVERSEAS TRADE

Distribution by Countries

From the figures given under the year 1923 there are deducted from imports into the United Kingdom £32,738,000; from exports of British produce, £24,674,000, and from exports of foreign and Colonial produce, £6,579,000; these sums representing the values of the trade between the Irish Free State and Great Britain and Northern Ireland during the nine months April to December of that year. This has been done in order to make the records comparable as far as possible with those of the two earlier years.

For the same purpose of securing comparability, Egypt, the Anglo-Egyptian Sudan, Palestine, and Iraq have been treated as foreign throughout. The Deep Seas Fisheries, though regarded as " British Dominions, etc." for purposes of record prior to 1923, are also treated in the tables as foreign for the years 1913 and 1922.

	Imports Volume	Exports Volume	Re-exports Volume
1913	100	100	100
1922	85.8	68.9	81.5
1923	93.0	74.5	81.3

Imports	(In Thousand £'s)		
	1913	1922	1923
From Europe	309,324	301,903	351,648
,, British Empire (other than Hong Kong)	190,841	282,149	288,381
,, United States ..	141,652	221,817	211,227
,, Mexico, Central and Latin America ..	76,494	108,084	115,747
,, Eastern Asia ..	17,190	31,976	37,837
,, Other Countries	33,234	57,170	60,438
All Countries ..	768,735	1,003,099	1,065,278

Exports	(In Thousand £'s)		
	1913	1922	1923
To Europe	178,484	246,174	250,196
,, British Empire (other than Hong Kong)	190,957	258,592	263,417
,, United States	29,295	55,542	59,619
,, Mexico, Central and South America	55,860	53,387	65,576
,, Eastern Asia	44,012	66,175	63,493
,, Other Countries	26,646	39,637	40,354
All Countries	525,254	719,507	742,655

Re-Exports	(In Thousand £'s)		
	1913	1922	1923
To Europe	60,898	53,288	68,282
,, British Empire (other than Hong Kong)	13,410	14,794	14,128
,, United States	30,159	21,722	25,945
,, Mexico, Central and South America	3,154	1,933	1,755
,, Eastern Asia	824	663	703
,, Other Countries	1,122	1.295	1,180
All Countries	109,567	103,695	111,993

UNITED KINGDOM. TRADE WITH EUROPE.

Imports from Europe

	1913 Thous. £	1921 Thous. £	1922 Thous. £	1923 Thous. £
France	49,498	58,066	53,065	64,428
Italy	8,131	8,953	11,309	11,452
Switzerland	11,070	19,964	21,707	19,471
Spain	15,976	27,058	23,167	23,329
Portugal	3,898	6,292	6,642	6,211
Belgium	23,426	33,671	24,038	27,910
Germany	80,411	20,550	26,524	35,001
Czecho-Slovakia ..	—	5,703	5,226	8,310
Jugo-Slavia	—	765	644	695
Austria	7,706	703	1,582	2,099
Hungary		88	410	672
Greece	2,202	4,014	4,013	4,779
Roumania	2,037	3,359	1,695	2,362
Turkey (European) ..	1,165	722	1,458	1,161
Russia	40,271	13,122*	23,854*	30,837*
Sweden	14,213	21,626	19,201	21,563
Norway	7,437	10,326	10,566	11,135
Denmark	24,053	41,367	40,310	46,276
Netherlands	27,913	49,959	45,661	52,697
Total	319,407	326,308	321,076	373,388
% of total ..	41.6	30.0	32.8	34.1

Exports to Europe

France	32,396	51,392	55,541	57,556
Italy	14,640	17,375	19,374	19,559
Switzerland	4,212	5,543	9,810	7,286
Spain	9,728	14,967	14,647	13,164
Portugal	6,053	6,802	7,436	8,613
Belgium	13,528	20,153	25,431	25,640
Germany	40,677	17,832	32,076	42,570
Czecho-Slovakia ..	—	1,318	744	997
Jugo-Slavia	—	1,048	666	914
Austria	4,481	1,734	1,038	1,133
Hungary		300	205	154
Greece	2,537	5,915	3,796	3,844
Roumania	1,947	5,433	2,636	2,777
Turkey (European) ..	2,414	4,564	3,429	3,125
Russia	18,103	8,630*	8,703*	9,044*
Sweden	8,220	9,627	12,292	13,789
Norway	6,147	14,060	11,589	8,612
Denmark	6,061	10,048	12,455	12,792
Netherlands	22,794	42,141	44,773	38,724
Total	319,938	238,882	266,641	270,293
% of total ..	36.9	34.0	37.0	35.2

*Includes Finland, Esthonia, Latvia, and Lithuania.

UNITED KINGDOM. TRADE WITH NON-EUROPEAN COUNTRIES

Imports

(In Thousand £'s)

	1913	1921	1922	1923
United States	143,854	276,990	223,710	213,528
Cuba	3,675	6,425	10,610	8,704
Mexico	1,880	9,859	8,604	6,345
Argentina	42,485	68,261	56,520	66,084
Brazil	10,008	5,866	7,726	5,897
Chile	5,359	6,564	4,422	5,789
Peru	3,178	6,437	7,410	8,605
Uruguay	2,749	6,242	4,748	4,869
Japan	4,389	8,735	8,440	6,771
China	4,672	11,269	9,723	12,284
Turkey (Asiatic) ..	4,251	343	278	2,000
Egypt	21,395	—	—	33,085
Other Countries ..	9,917	22,399	14,448	24,364
Total	257,812	429,390	356,639	398,325
% of total ..	33.6	39.4	35.5	36.2

Exports

United States	30,478	45,061	55,785	60,667
Cuba	2,214	1,891	1,388	2,934
Mexico	2,333	4,596	2,213	2,750
Argentina	22,641	27,622	22,708	28,165
Brazil	12,465	10,439	10,983	10,998
Chile	6,010	5,154	5,437	6,677
Peru	1,488	2,141	1,749	2,571
Uruguay	2,916	3,094	2,545	3,172
Japan	14,783	21,369	23,974	26,393
China	14,845	26,001	22,734	18,609
Turkey (Asiatic) ..	5,291	140	267	819
Egypt	9,805	—	—	15,019
Other Countries ..	10,731	18,056	18,292	17,566
Total	136,000	165,564	168,075	196,340
% of total ..	25.9	23.5	23.3	25.6

Egypt has now come back to this category, and to some extent this vitiates a comparison of the total figures and of the percentages. Without the Egyptian figures there is a substantial increase on both sides. On the import side, Argentina is prominent with an increase of £9½ millions, and increases are shown by the other South American countries with the exception of Brazil. Imports

from China show an expansion, but there is a decline in the figures for the United States, Cuba and Mexico.

Increases on the export side are fairly general, but China is conspicuous with a decrease of £4 millions.

UNITED KINGDOM. TRADE WITH EMPIRE COUNTRIES

Imports.	(In Thousand £'s)			
	1913	1921	1922	1923
Canada	30,488	62,287	54,895	53,448
Australia	38,065	67,858	64,863	49,068
New Zealand	20,338	48,828	48,532	42,969
India & Ceylon.....	56,218	54,926	58,003	79,515
South Africa	12,495	19,959	16,152	15,353
Egypt	—	26,927	31,106	—
West Africa	5,174	10,833	9,760	11,166
Mauritius	293	5,034	3,908	5,628
Straits Settlements ..	15,880	7,283	7,961	10,681
Malay States.....	3,574	2,921	2,323	2,279
West Indies	2,116	8,111	4,437	5,861
Irish Free State	—	—	—	32,738
Other Possessions ..	6,955	16,127	16,101	17,597
Total from Possessions	191,516	331,094	318,031	326,303
% of total	24.8	30.6	31.7	29.7
		Exports.		
Canada	24,795	19,433	25,271	27,566
Australia	34,470	45,645	60,457	57,707
New Zealand	10,838	14,928	15,868	20,695
India & Ceylon.....	74,458	112,964	95,202	89,888
South Africa	22,185	31,052	24,515	27,895
Egypt	—	18,830	15,562	—
West Africa	6,601	12,542	11,650	11,521
Mauritius	536	2,309	972	1,129
Straits Settlements ..	5,836	8,432	6,644	7,753
Malay States.....	—	2,269	877	866
West Indies	2,339	5,027	3,462	3,678
Irish Free State	—	—	—	24,674
Other Possessions ..	14,249	25,341	25,301	27,324
Total from Possessions	195,307	298,772	285,781	300,696
% of total	37.2	42.5	39.7	39.2

The figures for the Irish Free State, which are for the last nine months only, together with the re-export figure, show that there is a balance in favour of the United Kingdom for the nine months of £515,800. The ratio of our trade with the Empire to the total shows a decline, although the disappearance of Egypt from the list is more

than offset by the addition of the Irish Free State. Imports from India show a substantial increase, but in most cases there is a decline on the imports side. On the export side there is a decline under the head of India, but the increase in the case of New Zealand is noteworthy.

UNITED KINGDOM. RE-EXPORTS TO THE PRINCIPAL COUNTRIES.

(In Thousand £'s)

	1913	1921	1922	1923
France	12,072	12,899	17,915	19,403
Italy	1,012	1,750	1,730	2,161
Belgium	7,436	9,756	10,670	10,260
Germany	19,823	22,897	16,986	18,266
Russia	9,591	2,987	2,387	3,732
Sweden	1,014	1,890	1,525	1,832
Norway	518	787	714	730
Denmark[1]	590	1,413	1,248	1,738
Netherlands	5,160	9,191	6,100	5,916
United States	30,222	20,394	21,677	25,966
Japan	297	778	270	254
Other Countries	8,066	9,269	7,180	7,393
Total to Foreign Countries	95,801	94,011	88,402	97,651
British Possessions	13,774	13,041	15,376	20,922
Total	109,575	107,052	103,778	118,573

France, Germany, and the United States account for the bulk of the increase in the total to foreign countries. The increase under British possessions is more than accounted for by the Irish figure for the nine months, which amounts to £6,579,500.

UNITED KINGDOM. REVENUE.

	1923–4	1922–3
	£	£
Customs	119,958,000	123,043,000
Excise	147,970,000	157,275,000
Motor Vehicle Duties	14,691,000	12,321,000
Estate Duties	57,800,000	56,871,000
Stamps	21,570,000	22,222,000
Land Tax, House Duty, etc.	2,760,000	2,980,000
Income Tax	269,331,000	379,045,000
Super-Tax	60,640,000	
Excess Profits Duty	—	2,004,000
Corporation Profits Tax	23,340,000	18,977,000
	718,060,000	774,738,000

REVENUE—(*cont.*)	1923–4 £	1922–3 £
Postal Service	32,840,000	34,150,000
Telegraph Service	5,570,000	5,500,000
Telephone Service	14,390,000	13,550,000
Crown Lands	920,000	900,000
Interest on Sundry Loans	12,606,900	10,016,000
Miscellaneous :		
Ordinary	15,980,950	24,140,000
Special	36,801,434	51,018,000
Grand Total	837,169,284	914,012,000

UNITED KINGDOM. REVENUE.

(Million £)

	Revenue from Taxation			*Revenue other than from Taxes*		
	Indirect (Customs & Excise)	Direct	Total	P.O. & Telegh. Service	Total	Total Exchequer Receipts.
1880–81	44.5	24.5	69.0	8.3	11.9	80.9
1882–83	46.6	26.5	73.1	9.0	13.3	86.4
1887–88	45.3	30.4	75.7	10.6	14.1	89.8
1892–93	49.9	32.1	82.0	12.9	15.6	97.6
1897–98	55.3	42.7	98.0	15.2	18.1	116.0
1902–03	72.1	67.6	139.7	18.4	21.6	161.3
1907–08	68.2	62.1	130.3	22.3	26.2	156.5
1912–13	73.1	83.3	156.4	29.2	34.0	190.5
1913–14	76.7	88.0	164.7	30.8	35.2	199.9
1914–15	76.7	98.7	175.3	31.8	35.8	211.1
1915–16	120.8	169.3	290.1	33.9	46.6	336.7
1916–17	126.9	387.2	514.1	34.1	59.3	573.4
1917–18	110.0	503.0	613.0	35.9	94.2	707.2
1918–19	162.2	622.1	784.3	40.7	104.7	889.0
1919–20	283–1	715.9	999.0	44.8	340.3	1,339.6
1920–21	338.8	697.9	1,031.7	49.5	394.3	1,426.0
1921–22	324.3	532.2	856.5	56.4	259.4	1,124.9
1922–23	280.3	494.4	774.7	53.2	139.3	914.0
1923–24	267.9	450.1	718.0	52.8	119.2	837.2

UNITED KINGDOM. EXPENDITURE.	1923–4 £	1922–3 £
National Debt Services	347,308,748	323,989,932
Road Fund	14,090,044	11,772,043
Payments to Local Taxation Accounts	13,662,631	10,471,016
Payments to Northern Ireland ..	3,966,865	3,322,939
Land Settlement	1,209,128	1,235,874
Other Consolidated Fund Services	2,802,795	2,704,800
Army, Navy, and Air	105,800,000	111,000,000
Civil Services	*239,366,000	286,826,000
Revenue Depts. and Post Office ..	60,634,000	61,174,000
Total	788,840,211	812,496,604

*Including £13,143,000 supplementary grants.

UNITED KINGDOM. EXPENDITURE.

(Million £'s)

Year ended March 31	Consld. F'nd Servs.	Army	Navy	Miscln. Civil Servs.	Cust. & Inland Rev.	P.O. Servs.	Total Exchequr. Issues.
1880–81	30.8	15.2	10.5	15.8	2.85	5.4	80.5
1882–83	30.7	19.2	10.6	17.3	2.9	6.1	86.8
1887–88	28.0	18.2	12.3	18.2	2.7	8.0	87.4
1892–93	35.5	17.5	14.3	17.8	2.6	9.8	97.6
1897–98	36.3	19.3	20.9	21.6	2.7	11.6	112.3
1902–03	39.8	69.4	31.2	36.2	3.0	14.6	194.3
1907–08	42.6	27.1	31.1	30.2	3.2	17.5	151.8
1912–13	38.8	28.1	44.4	51.9	4.2	23.0	190.4
1913–14	39.0	28.3	48.8	53.9	4.5	24.6	199.1
1914–15	38.3	28.9	51.6	61.1	4.8	26.2	210.9
1915–16	73.5	—	—	—	4.6	26.7	1,559.2
1916–17	d39.1	—	—	—	4.7	26.5	2,198.1
1917–18	201.2	—	—	—	5.1	25.7	2,696.2
1918–19	281–3	—	—	—	5.5	26.4	2,579.3
1919–20	348.2	395.000	156.5	569.0	9.4	48.1	1,665.8
1920–21	378.0	181.500	88.4	460.2	11.3	53.7	1,195.4
1921–22	359.9	95.110	80.8	449.7	14.2	65.9	1,079.2
1922–23	343.5	45.400	56.2	286.8	11.3	49.8	812.5
1923–24	353.5	—	—	239.4	—	—	788.8

The amounts expended upon the Army and Navy and Civil Services were issued during the war years under Votes of Credit.

The actual amounts expended on the Army, Navy and Air forces during the last four years have been as follows:

Year	£
1919–20	604,028,000
1920–21	292,228,000
1921–22	189,440,000
1922–23	111,000,000
1923–24	122,011,000

The Votes of Credit for Naval and Military operations, etc., were as follows:

Year	£
1915–16	1,399,652,000
1916–17	1,973,665,000
1917–18	2,402,800,000
1918–19	2,198,000,000

FLOATING DEBT.

	1924 March 31 £	1923 March 31 £	1922 March 31 £
Advances by Public Departments ..	186,155,500	193,897,500	147,301,500
Treasury Bills Outstanding ..	588,320,000	616,045,000	882,214,000
Total ..	774,475,500	809,942,500	1,029,515,500

UNITED KINGDOM. EXPENDITURE PER HEAD OF POPULATION.

The Notes of Credit for Naval and Military operations and the Civil Services during the war years, 1915–16 to 1918–19, were equal to an expenditure per head of population as follows:

1915–16 ..... £29 13 0
1916–17 ..... £41 14 0
1917–18 ..... £50 19 0
1918–19 ..... £46 12 0

Expenditure per head of population since the war has been as follows:

	Army	Navy	Miscellaneous Civil Services	Post Office	Total Expend'te
	£ s.	£ s.	£ s.	£ s.	£ s.
1919–20	8 8	3 6	12 1	1 0	35 7
1920–21	3 17	1 17	9 15	1 3	25 7
1921–22	2 0	1 14	9 11	1 8	22 18
1922–23*	1 0	1 6	6 10	1 3	18 9
1923–24*	—	—	5 9	1 3	17 18

*Great Britain and Northern Ireland.

The separate figures for the Army and Navy during the last fiscal year are not yet available, but the amount expended on the Army, Navy, and Air Services amounted to £122,101,000 or £2 15s. per head of population.

UNITED KINGDOM. REVENUE PER HEAD OF POPULATION

	Revenue from Taxation Indirect	Direct	Total	Total Exc'qr Receipts
	£ s.	£ s.	£ s.	£ s.
1880–81	1 6	14	2 0	2 7
1882–83	1 6	15	2 1	2 9
1887–88	1 5	17	2 2	2 9
1897–98	1 8	1 1	2 9	2 18
1902–03	1 14	1 12	3 6	3 17

Revenue from Taxation—continued.

	Indirect	Direct	Total	Total Exc'qr Receipts
	£ s.	£ s.	£ s.	£ s.
1907–08	1 11	1 8	2 19	3 11
1912–13	1 12	1 16	3 8	4 3
1913–14	1 13	1 18	3 11	4 7
1914–15	1 13	2 2	3 15	4 11
1915–16	2 11	3 12	6 3	7 3
1916–17	2 14	8 4	10 18	12 3
1917–18	2 11	10 11	13 2	15 0
1918–19	3 9	13 4	17 1	18 17
1919–20	6 0	15 4	21 4	28 8
1920–21	7 2	14 16	21 18	30 5
1921–22	6 18	11 6	18 4	24 0
1922–23*	6 7	11 4	17 11	20 15
1923–24*	6 2	10 4	16 6	19 0

*Great Britain and Northern Ireland.

UNITED STATES. BUSINESS BOOM

The year which ended with December last was remarkable for the great industrial and trading activity displayed in the United States. Compared with the previous year, exports show an increase of $336,168,852, and imports of $679,191,180, while bank clearings, at $402,553,486,888 in 1923, register an advance of $19,793 millions, or 5.2 per cent. The improved trend of production in general may be gathered from the following table, compiled by the Federal Reserve Bank of New York, showing indexes of production as percentages of the computed trend of past few years, allowance having been made for seasonal variations:

(Computed trend of past years—100 per cent).

	Average for 1922	1923
Producers' goods—		
Pig-iron	74	108
Steel ingots	87	106
Bituminous coal	77	104
Copper, U.S. mine	67	99
Leather, sole	91	97
Tin deliveries	90	107
Petroleum	113	137
Cotton consumption	92	96
Woollen mill activity	94	107
Zinc	58	77
Cement	116	142
Lumber	107	126
Consumers' goods—		
Anthracite coal	54	96
Wheat flour	106	108
Cattle, slaughtered	97	103
Calves	125	130

Consumers' goods—*continued*	Average for 1922	1923
Sheep	83	87
Hogs	104	128
Sugar meltings, U.S. ports	133	107
Paper, total	103	100
Tobacco, consumption	89	90
Gasoline	103	112
Automobile, all	101	143
Automobile, passenger	104	149
Automobile, truck	87	118
Automobile, tyres	117	136
Boots & Shoes	93	99

This general improvement in production has been accompanied by a fall in wholesale prices as compared with the previous year, the decrease on the basis of the index numbers of the United States Department of Labour being about 3¾ per cent. between December, 1922, and the corresponding month of 1923. Fuel, lighting and building materials, house-furnishing goods, and miscellaneous commodities were mainly responsible for this decrease, as farm products and chemicals and drugs showed no change, while food articles, cloths and clothing, and metals and metal products were appreciably higher than last year.

VOLUMES OF EXPORTS OF CERTAIN COUNTRIES SINCE 1920

(In Thousands of Metric Tons). Monthly Average.

	1920	1921	1922	1923
Belgium	884	1,438	1,346	1,411
France	1,039	1,336	1,887	2,066
Holland	351	476	576	725
Poland	52	169	759	1,478
Czecho-Slovakia	575	812	791	942
Hungary	44	70	87	101
Latvia	16	18	48	66
Esthonia	11	10	23	26
Serbe Croate-Slovene	76	132	184	252
Bulgaria	15	24	32	*42
Roumania	122	222	323	297

* Average January-February, 1924.

The five nations mentioned in the above table which have become independent or been created since the war, that is Poland, Czecho-Slovakia, Latvia, Esthonia, and Serbe Croate-Slovene, have quickly entered into the world's markets to a large and rapidly increasing extent.

Exports from these five nations totalled 8,760,000 tons in 1920 and no less than 33,168,000 tons in 1923.

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